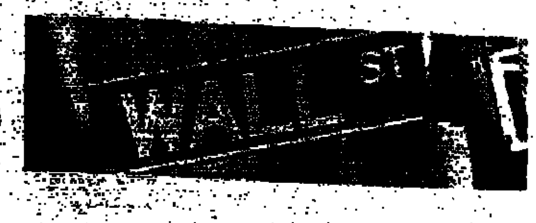

Survey
US finance and investment
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Serbia
The looming spectre of a Balkan war
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THE BIG LIE: Inside Maxwell's Empire *Beginning this Saturday and all next week the FT lays bare Robert Maxwell's empire of deceit*

FINANCIAL TIMES

Thursday June 11 1992 EUROPE'S BUSINESS NEWSPAPER D8523A

Two Maxwells involved in buying MCC shares

Documents which show for the first time that both Robert Maxwell and his son Kevin were intimately involved in substantial purchases of shares in Maxwell Communication Corporation, one of their own public companies, have been obtained by the Financial Times.

Meanwhile, a director of a secretive Swiss trust has admitted that transfers of MCC shares to his trust, which are at the centre of an investigation by the UK Serious Fraud Office, were made on the instructions of Robert Maxwell. Page 16; NatWest seeks ruling on Maxwell shares, Page 9; Bank pulls out of MGN refinancing, Page 9

Trade threat: The European Commission reacted angrily to the publication in Washington of a $2bn European Community food exports "hit-list" threatening punitive tariffs if the EC fails to reform its oilseeds subsidy regime. Page 16

Landesbank Schleswig-Holstein: Three main board directors resigned in protest at plans for the sale of a stake in the publicly-owned institution to Westdeutsche Landesbank. Page 17

Premier chosen: Anand Panyarachun, businessman and former diplomat, was re-appointed as prime minister of Thailand by a royal edict which paves the way for new elections. Page 7

Air wars: Lufthansa, German state airline, and Swissair cut their ticket prices from the US to Europe in response to a price war which broke out among US carriers on Tuesday. Page 2

Rudolf Hess 'suicide note' revealed

Rudolf Hess, Hitler's deputy (left), who staged an abortive peace mission to the UK in 1941, addressed an apparent suicide note to his family in Germany a month after his mysterious arrival in Scotland, according to UK government records published as part of an effort to reduce official secrecy over the incident.

Trouble looms: When US President George Bush arrives in Rio de Janeiro today he could be embarking on his biggest public relations disaster since his accident-ridden trip to Japan in January. Page 4; Last-minute struggle for convention on forests, Page 4

General Domestic Appliances, Anglo-US maker of white goods, is about to join a European partnership with the leading French and Spanish suppliers of household appliances. Page 17

Gadaffi attacked: Libya's official press unprecedentedly criticised Colonel Muammer Gadaffi's relations with fellow Arabs and called for better relations with the US. Page 8

Accounts qualified: The uncertain UK property market prompted auditors to qualify the accounts of Regalian Properties, one of the best-known UK-quoted property companies. Page 18; Lex, Page 16; London stocks, Page 31

Peace risk: Khmer Rouge guerrillas have said they will refuse to co-operate fully with a UN plan to bring democracy to Cambodia, throwing the peace process into doubt. Page 7

Exports blocked: Efforts by Bangladesh to liberalise its trade regime and boost exports are being handicapped by trade barriers in rich western countries, Gatt says. Page 5

Four executed: Iran hanged four men for their part in last month's riots in the holy city of Mashhad.

Boardroom rules: Non-executive directors in the UK will no longer be able to serve on more than one board because of their obligations under proposals on corporate governance. Page 9

Nestlé, Swiss food group, is paying FFr480m ($90.5m) to buy 1.5m shares in Suez, French industrial and financial group. Page 18

Warning on extremism: Britain's Commission for Racial Equality criticised the rise of right-wing extremists in Europe and the US. Page 9

Guerrilla held: Victor Polay Campos, leader of Peru's second-largest guerrilla group, has been captured in a Lima suburb. Page 4

Sell-off started: Bolivia launched its privatisation programme this week by ear-marking more than 60 enterprises, ranging from cotton mills to cement factories, for sale. Page 4

Slow start: Eight hundred employees and only 100 customers attended the grand opening of Japan's largest department store. Page 7

■ STOCK MARKET INDICES		
FT-SE 100:	2,638.1	(+0.7)
Yield	4.67	
FT-SE Eurotrack 100	1,174.58	(−0.38)
FT-A All-Share	1,278.43	(−0.0%)
Nikkei	17,742.87	(−102.17)
New York: lunchtime		
Dow Jones Ind Ave	3,361.16	(−8.62)
S&P Composite	409.16	(−0.91)
■ US LUNCHTIME RATES		
Federal Funds:	3½%	
3-mo Treas Bills: Yld	3.756%	
Long Bond	101$\frac{5}{32}$	
Yield	7.892%	
■ LONDON MONEY		
3-mo Interbank	10%	(10%)
Liffe long gilt future:	Sep 97⅞	(Sep 97$\frac{23}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day (July)	$20.95	(21.025)
■ Gold		
New York Comex (June)	$337.9	(338.3)
London	$338	(337.95)

■ STERLING		
New York lunchtime:		
$	1.832	
London:		
$	1.8335	(1.833)
DM	2.92	(2.915)
FFr	9.8325	(9.815)
SFr	2.6625	(2.6675)
Y	233.75	(234)
£ Index	92.7	(92.6)
■ DOLLAR		
New York lunchtime:		
DM	1.59495	
FFr	5.36575	
SFr	1.45365	
Y	127.585	
London:		
DM	1.593	(1.59)
FFr	5.3625	(5.355)
SFr	1.4525	(1.456)
Y	127.55	(127.6)
$ Index	62.8	(same)
Tokyo close Y 127.42		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr160	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh8.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

UK and EC near deal on 48-hour working week

By David Gardner in Brussels

THE UK and its European Community partners are close to agreeing plans to limit the working week to 48 hours, breaking a two-year deadlock on one of the most controversial pieces of community legislation.

The British government has fiercely resisted conceding a ceiling on working hours. According to senior European Commission officials, all 12 would accept a 48-hour working week under the compromise, but Britain would be given an additional seven years to implement it.

Commission officials say a deal would be significant because of the crisis of confidence caused by the Danish rejection of the Maastricht treaty which has jeopardised European union.

If agreed, the working time deal would translate Maastricht's agreement to disagree on social policy into law for the first time. At Maastricht, the 11 put their more ambitious social policy aims into a protocol to the treaty, leaving the UK subject only to existing social provisions.

These sorts of "variable geometry" or "Europe à la carte" deals – whereby member states can sign up to EC policies which suit them – are anathema to integrationists who see in them the fragmentation of the Community and dilution of its force.

But after the Danish rejection, and with Ireland's June 18 referendum looming, events could move swiftly in favour of a variable speed Europe.

According to senior Commission officials, all 12 would accept a 48-hour working week under the compromise. But the UK would in effect get 10 years to implement it: the maximum three years for a directive to come into law plus a seven-year transition period.

Crucially, the directive would allow those people willing to work more than 48 hours to do so – the main UK demand. But those workers unwilling to exceed the prescribed limit would have the protection of the law.

To enforce this, employers would have to keep records of both categories of workers, and make these available to national health and safety authorities, whose job it would be to ensure there was no discrimination.

This basis for compromise followed German representations designed to ensure that the UK was not isolated in the Council of Ministers on June 24 in Luxembourg, ahead of the June 26-27 Lisbon summit. It was Germany which prevented the issue going to a vote on April 30, to allow the newly-appointed Mrs Gillian Shephard, the UK employment secretary, a "grace period".

Following the Danish referendum result, however, negotiations gathered pace, Commission officials say, and now centre on today's meeting between Mrs Shephard and her French counterpart, Ms Martine Aubry, who is one of the authors of the EC's social chapter.

If agreement is reached, it would be sealed at a social affairs EC ministerial meeting on the eve of the Lisbon summit, which will be dominated by the Maastricht treaty crisis.

Some problems remain, such as whether working time agreements should be negotiated at industry level – as the majority of member states want – or at plant level, as the UK insists.

Delors calls for more open EC to head off critics

By Andrew Hill in Strasbourg

EUROPEAN Commission president Mr Jacques Delors yesterday called for a more open, less complicated European Community as an antidote to growing scepticism about European union.

In the first sitting of the European parliament since Danish voters rejected the Maastricht treaty in a referendum last week, Mr Delors blamed the increasing uneasiness about closer European union on the EC's failure to explain itself to a wider public.

Mr Delors is clearly worried about the gathering criticism of the commission and the community. In his address on the proposed EC budget – which has come under attack from member states – he made a particular point of emphasising how much Ireland benefits from EC funding. The Irish referendum on Maastricht takes place next week and polls published yesterday indicated increased opposition to the treaty.

Members of the European parliament glimpsed how deeply the Danes' implicit criticism of the commission president's style had struck, when Mr Delors reacted angrily to accusations that he wanted to "sideline" the community's smaller member-states.

"That is totally false, totally wrong," said Mr Delors, unexpectedly interrupting the emergency debate on the Danish referendum to answer specific accusations levelled at him by Ms Nel van Dijk, a Dutch Green MEP.

"I protest very strongly and I think if you say something like that you have to come along with supporting evidence," he said.

Rumours that Mr Delors favoured giving more executive power to the commission and large member-states in an enlarged community badly damaged the pro-EC cause in Denmark in the weeks before the referendum.

Mr Delors had opened the debate on the Danish vote with a calm speech, tinged with contrition, giving his views on the impact of, and reasons for, the Danish no vote.

He reasserted his view that the process of ratification of the treaty in the other 11 member states should continue. But he added that clarity of legislation, transparency of decision-making and a particular emphasis on "subsidiarity" – the devolution of powers to the most appropriate authority – should be the hallmarks of community institutions and governments.

He said that after January 1, 1993, the target date for the implementation of the single European market, the volume of commission-generated legislation was bound to diminish.

"We mustn't, for fear of being unemployed, make new laws just for the fun of it," he said.

The parliament voted by a large majority to urge member states to continue the ratification process "without delay."

Mr Jean-Pierre Cot, leader of the socialist group in the parliament, rejected the option of reopening negotiations on the treaty: "Renegotiation would be the opportunity some people dream of to transform the community into [nothing more than] a vast free trade area."

Commission officials agree with Mr Delors that the EC's aims must be explained to member states and their citizens. "Somehow we have to find a way to recreate the basis for trust," a senior Brussels official said yesterday.

"Maybe we have forgotten about the public at large."

Mr Leo Tindemans, the Belgian head of the Christian Democrat group in parliament, said: "We have a lot of sympathy for Denmark and the Danish people. We can only regret that they have not shown a lot of understanding of the Maastricht texts."

MAASTRICHT IN THE BALANCE

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■ EC central banks to press ahead with monetary plans
■ Sharp growth in Irish opposition to Maastricht

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Jacques Delors: he blamed growing scepticism about closer European union on the EC's failure to explain itself

UN paves the way for supply troops in Sarajevo

By Judy Dempsey in Belgrade and Jurek Martin in Washington

UNITED NATIONS military officers arrived in Sarajevo yesterday to prepare the way for 1,000 UN troops who hope to lift the siege on the city's airport and allow the transport of supplies for thousands of residents.

The officials hope to arrange the removal of all anti-aircraft weapon systems held by Serb irregulars surrounding the airport and oversee their withdrawal from the vicinity.

UN officials stressed that the operation "was highly dangerous" since it depends on all sides honouring a ceasefire. They also warned that they did not have the means to provide air cover for the troops.

Mr Cedric Thornberry, the UN's chief negotiator said: "Ceasefires come and go, but we have to keep trying."

Last weekend Mr Thornberry forged an agreement between the Bosnian presidency and the Bosnian Serb army, led by General Ratko Mladic and Mr Radovan Karadzic, to reopen the airport.

A senior US Senator warned that military action might be needed to curb Serbia's territorial ambitions.

In Washington, Senator Richard Lugar, the Republican from Indiana, said: "The time for

Continued on Page 16
Calm before the storm, Page 14

Germany warned not to quit Euro fighter project

By David White and Robert Mauthner

MR Malcolm Rifkind, Britain's defence secretary, said yesterday that he still hoped to persuade Germany not to leave the £20bn European Fighter Aircraft project and warned that withdrawal would be "very damaging to Germany's credibility as a reliable partner".

In an interview with the Financial Times, he said there was "very considerable scope" for cost savings in the project, up to now involving the UK, Germany, Italy and Spain.

Senior UK and German officials are due to meet in London today to advance discussions about ways of reducing the cost of producing the aircraft, now in the late stages of development.

Mr Volker Rühe, German defence minister, who has made clear his opposition to continued German participation, is expected to discuss the project with Mr Rifkind during a ministerial meeting of the Western European Union, a nine-nation defence grouping, in Germany next Friday. Mr Rühe is due for further talks in London on July 6.

Mr Rifkind said that although Mr Rühe had stated his own "personal recommendation", the German government had not yet reached a decision.

He issued a severe warning of the political implications if Bonn did withdraw, referring to the recent arguments within the EC and Nato about plans for European defence.

"I don't think it is possible for the German government on the one hand to speak robustly about the desirability of a European defence dimension and European co-operation, and at the same time consider withdrawing from the single most important example of European defence collaboration at the present time," he said.

He said he understood Bonn's predicament in the face of parliamentary pressure against the approval of funds for pressing ahead with the programme.

It would however be "unfortunate" to consider withdrawing from a 20-year project "simply on the basis of an immediate short-term parliamentary handling problem".

An effort was needed within weeks to identify potential savings so that decisions may be taken on the basis of up-to-date cost estimates.

Mr Rifkind said he was encouraged by "growing representations" within Germany in favour of the project, including those from industry and the CSU, the Bavarian party in the governing coalition.

He said Germany would face costs if it backed out but this would depend on the manner of its withdrawal.

A decision to withdraw now would be premature, he added. There was no need for the partners to commit themselves on production of the aircraft until "sometime in 1993".

UK officials are confident of Italy's determination to remain in the programme, which aims to bring the new fighter into service in 1998. However, they are concerned that Spain might leave if Germany does.

Britain launches final EFA sortie .... Page 2

CONTENTS

Delors warns budget critics of stagnation

By Andrew Hill in Strasbourg

MR Jacques Delors, the European Commission president, yesterday hit back at critics of the planned increase in the European Community budget. He warned that the EC would relapse into "stagnation or crisis" if richer states continued to resist an increase in contributions to the budget.

The 35 per cent boost in EC revenue proposed in the so-called Delors II package came under attack from seven out of 12 members – led by Germany and Britain – at Tuesday's meeting of finance ministers in Luxembourg.

Yesterday, Mr Delors told the European parliament in Strasbourg that the EC would have to scale back its plans for 1993-97 drastically if member states remained intransigent.

Holding contributions at the equivalent of 1.2 per cent of gross national product until 1997 would provide Ecu11bn (£7.7bn) of additional annual funding by 1997, against Ecu21bn under plans for a 1.37 per cent contribution.

Mr Delors said: "With that Ecu11bn we could finance the reform of the common agricultural policy, the cohesion funds [for poorer EC members], to the tune of up to Ecu10bn over five years, and external policy. But there would be no increase in structural funds, and no increase for internal policies [principally research and schemes to make EC companies more competitive]. Can we really envisage that?"

Finance ministers cannot block the package, but their comments are likely to influence foreign ministers, who will discuss it on Monday, and EC leaders in Lisbon at the end of the month.

"A realistic assessment of the attitude of the 12 at the moment makes me think the budget will not be adopted in its entirety at the next European Council [in Lisbon]," admitted Mr Delors yesterday. But he said he hoped for a formal decision at the Edinburgh summit in December.

Mr Delors added that the Commission had prepared its evaluation of Britain's rebate on budget contributions – worth Ecu3.3bn last year – and was waiting for the right occasion to publish it.

German economists attack Emu policy

By Quentin Peel in Bonn

MORE THAN 60 professors of monetary economics and international finance, from schools and universities across Germany, will today publish a declaration condemning the Maastricht treaty on European economic and monetary union.

Their intervention at a time of growing doubts about the Maastricht treaty may be a serious embarrassment to the German government as it tries to gain swift ratification in the two houses of parliament.

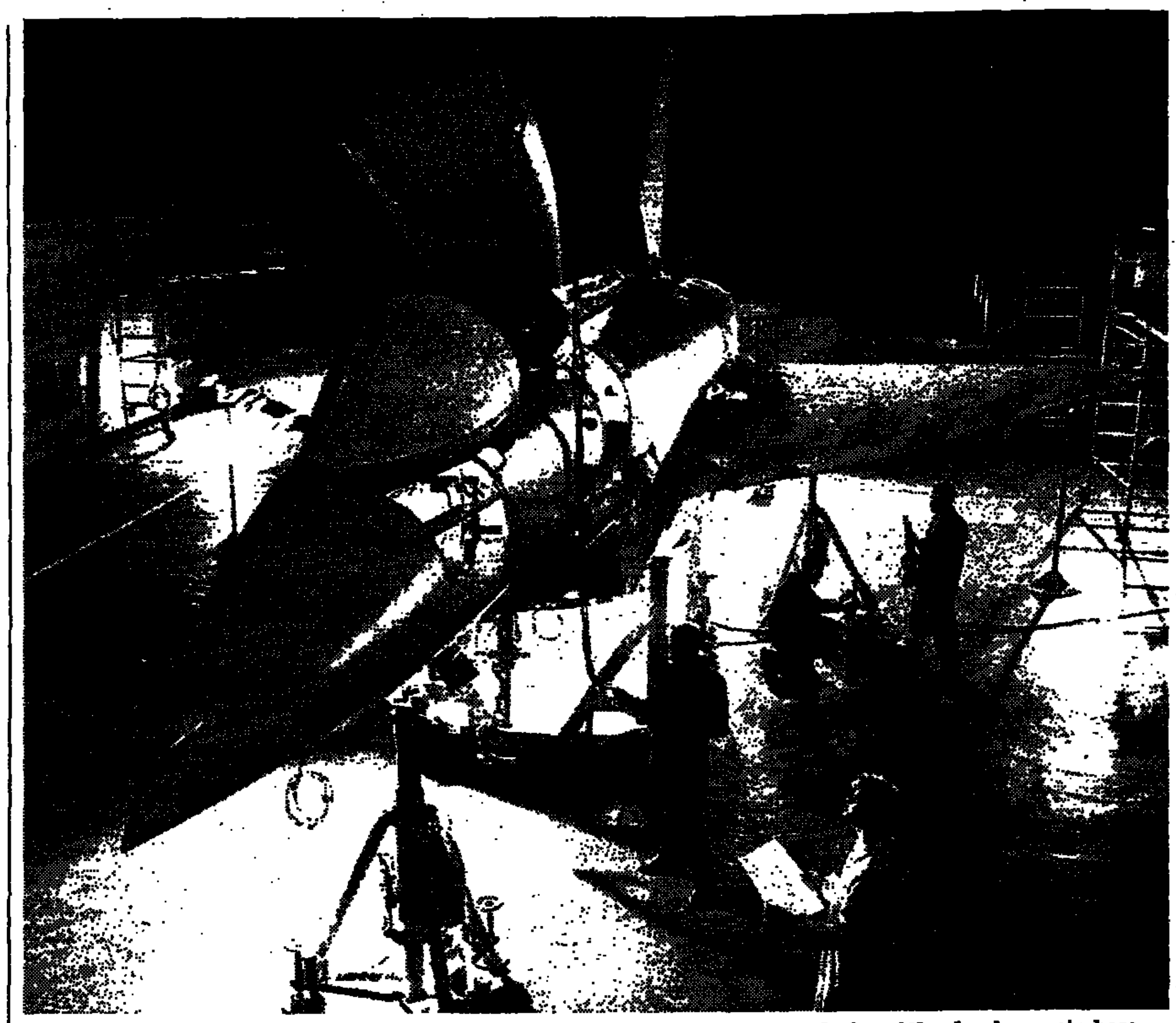
The document does not question the principle of Emu and a single European currency, but criticises its haste, the decision to make such a move automatic by 1999 at the latest, and the laxity of the convergence criteria on which it is based. They also question how genuine the independence will be of a European central bank.

Among signatories are such leading figures as Professor Herbert Giersch, former head of the Kiel Institute and Professor Karl Schiller, former economics and finance minister.

However, the bulk of those behind the initiative are younger professors belonging to the new generation of German international economists.

The declaration says that Emu would be possible only on the basis of long-term economic convergence between the EC member states, and based on a Europe-wide consensus that low inflation and monetary stability are paramount goals of monetary policy. That consensus does not exist, and nor does the timescale to 1999 provide the basis for genuine convergence, it says.

The professors say that tougher inflation criteria should have been set for potential members of the Emu, and they fear that the political desire to see EC states join the currency union will result in the criteria being further relaxed at the last minute.



Testing time for the European Fighter Aircraft – the project is now near the end of an £8bn development phase

Britain launches a final EFA sortie to keep Bonn on board

Germany's withdrawal from the fighter project could be followed by a similar move by Spain, David White reports

BRITAIN'S defence ministry is mounting a last-ditch effort to keep Germany in the four-nation European Fighter Aircraft Project by arguing that it can be produced more cheaply than Bonn estimates.

At the same time, it is preparing the ground for a German withdrawal from the £20bn project, which could be followed by a similar move by Spain. This would leave Britain and Italy to carry out the remainder of the programme, now near the end of an £8bn development phase. Initial contacts have been made with other European countries that might join in the production phase to ensure EFA's viability.

Spain, which delayed before joining the development programme four years ago, is understood to have assured Britain it will stay in the project as long as Germany does, and will not quit unless the price of the aircraft increases. If Germany does withdraw, however, some increase in costs to the other partners appears inevitable.

The odds on Bonn pulling out from the sophisticated fighter, widely seen in Germany as exceeding the country's needs in a transformed east-west climate, have increased sharply since the industrial partners tabled production proposals in April. Initial British calculations were that German withdrawal might increase the EFA's price to the UK by 7 per cent. If Spain backed out, too, the increase would be 12 per cent. However, officials now indicate that the extra cost might be smaller.

Negotiations are under way with the two German-based industry consortia – the airframe grouping Eurofighter (British Aerospace, MBB of Germany, Alenia of Italy and Casa of Spain) and the engine team Eurojet (Rolls-Royce, MTU of Germany, Fiat and the Spanish company ITP) – to bring down production costs.

A decision to set up production – at a cost of some £3.5bn between the four countries – was initially due to be made this year, but UK officials say it is not now required before mid-1993. The decision requires a commitment by the partners on how many aircraft they intend to buy, but actual production orders would not be placed until 1995, enabling producers to meet the 1998 target for starting deliveries. The UK says Germany could push back its own delivery schedule to ease its costs in the initial years.

Bonn has a more pressing timetable, however, because it needs Bundestag approval to allocate money next year for tooling-up. Industry has already offered to cut its price by 5 per cent and UK officials expect further reductions.

The original proposal gave the Germans what they call a "system price" of DM133.9m (£46m) per aircraft – an accounting concept used by the German military which, say British officials, nobody else recognises. It includes what in the UK is known a "unit production price" – the price of each aircraft as it comes off the assembly line, plus a share of the production investment cost – with 35 per cent added on to cover logistics support, and value-added tax.

The UK says the logistical support allowance is too high for an aircraft designed to be cheaper to operate and maintain than current-generation aircraft. It is understood to be aiming for a unit production cost of about £28m-£29m. With initial support costs this would come to about £36m.

Britain says costs can be cut with new plan for production

Britain believes costs can be cut by reorganising the production plan. The partner countries could be assured of high-technology work without automatically sharing in each major element such as flight controls. Final assembly lines, instead of one in each country, would be reduced to two at most: one at BAe in Lancashire, another either in Bavaria or Italy.

If Germany pulls out, more work would go to the UK. British officials reckon this would save costs because British wages are lower than Germany's. The saving would, however, be unlikely to compensate for the extra burden of production investment, shared between fewer partners. Any add-on cost would be likely to force down the numbers of aircraft the remaining partners buy.

The RAF wants 250 aircraft as originally planned, but the UK Treasury can be expected to block any extra spending. The other partners have already reduced their declared plans – Germany to 200, Italy to 130 and Spain to 87, making a total of 667. This is 13 per cent down on the original programme. None of the plans is secure. The project needs a production run of at least 350-400 aircraft. Below that, say officials, it will cease to be competitive with the alternatives.

The UK argues strongly that there is "no cheaper aircraft with acceptable performance". Among the main options, the McDonnell Douglas F-15, the top-of-the-range US fighter, would be costlier; its planned successor, the Lockheed-Boeing-General Dynamics F-22, even more so; McDonnell Douglas's F/A-18 is judged less capable than EFA and, the way Britain does its sums on aircraft costs, no cheaper.

The industrial stakes are high. Government and industry officials estimate EFA production, under present plans, would sustain 60,000 jobs in Europe, including 20,000 in the UK, and an equivalent number among indirect suppliers.

Sharp growth in Irish opposition to Maastricht

By Tim Coone in Dublin

OPPOSITION to the Maastricht Treaty in Ireland has doubled since the Danish voted to reject it last week, according to an opinion poll published in Dublin yesterday .

The Market Research Bureau of Ireland (MRBI) poll, commissioned by the Irish Times, found that opposition to the treaty has doubled from 11 per cent to 23 per cent of voters since a similar poll taken a month ago. Those indicating an intention to vote "yes" have dropped from 57 per cent of those surveyed to 47 per cent.

This still gives a proportion of two-to-one in favour of the treaty, but a significant 30 per cent of voters are undecided, giving little cause for comfort to the government whose campaign for a "Yes" vote looks increasingly as though it is foundering.

The interviews for the poll were carried out 24 hours before EC finance ministers in Brussels rejected the Delors II package to increase EC funding by 30 per cent, under which Ireland had hoped to receive a big increase in structural funds.

On posters appearing around Dublin this week, and in leaflets dropping through letterboxes, the government has been highlighting the importance of the EC structural funds to Ireland's economy and to point out that Ireland could expect to receive a doubling of EC structural and cohesion funds, amounting to I£6bn, for the 1994-98 period if the treaty is approved.

The government yesterday put a brave face on the turn of events in Luxembourg. Mr Bertie Ahern, the finance minister, said he will continue to press his EC colleagues on the issue, and to hold out for a doubling of funds to Ireland, although he acknowledged that compromise, and a scaling down of expectations may be necessary.

"We are still at an early negotiating stage" he said.

A ministry spokesman said "Either there is a commitment to cohesion and equality in the community or there isn't. If there were to be a retraction by a number of member states on those commitments, then that will change people's attitudes significantly".

Opponents of the treaty yesterday drew encouragement from the poll results and the rejection of the Delors package. Mr Proinsias de Rossa, the leader of the opposition Democratic Left party, who is leading a small parliamentary grouping against the treaty, said: "Doubts about the treaty are likely to intensify as a result of this snub from the EC finance ministers."

The opposition Fine Gael party, which on Tuesday joined forces with the ruling Fianna Fail party, to campaign on behalf of the treaty was also critical of the government's handling of the campaign. The party said: "We thought it very unwise of the government to make promises that could not be kept".

Angry French farmers step up protests

By William Dawkins in Paris

ANGRY French farmers yesterday stepped up their demonstrations against agriculture policy reform in the European Community.

Protests were recorded in at least seven areas – from Nantes, where market gardeners dumped several tons of vegetables on the streets, to Rennes, where shallot growers ransacked a local agriculture ministry office, and Toulouse, where farmers continued to man road blocks for a second day. In the Eure-et-Loire district, south-west of Paris, tractor drivers staged an *opération escargot* (go-slow), causing many traffic jams.

Mr Louis Mermez, agriculture minister, yesterday met farm organisations to study how to implement the reforms, and said the government was ready to hold a parliamentary debate on agriculture.

France's RPR Gaullist party accused the ruling Socialists of "deception" and of betraying farmers' interests in the recent agreement on EC farm policy reform.

Mr Raymond Lacombe, president of the FNSEA, the main farmers' union, tried to cool the temperature yesterday by reminding farmers that they could only influence the detail, but not the basic direction, of EC farm reform.

However, a vocal minority of French farmers is resolutely against against the principle of a decline in guaranteed prices and a shift towards direct income aid, as envisaged in the reforms. They are represented by Rural Coordination, an extreme splinter group, which yesterday called on its members to toughen their protests. Rural Coordination was formed late last year, in protest against the perceived ineffectiveness of a large demonstration by the two mainstream unions, the FNSEA and the CNJA, in Paris.

The movement, made up of discontented FNSEA and CNJA members, wants an increase in farm prices and the complete abandonment of the EC reforms. The two unions believe this is unrealistic.

Bonn wins exemption on chemical

THE European Commission agreed yesterday that Germany could continue to ban the toxic chemical PCP on environmental grounds even though European Community rules allow limited use, Commission officials said, Reuter reports from Strasbourg.

It is the first time the Commission has exempted an EC country from applying legislation designed to create a single market. It decided that Germany could opt out under an article of the Treaty of Rome allowing governments to impose national rules on grounds of environmental protection.

Germany requested the exemption after the EC adopted legislation last year restricting the marketing and use of pentachlorophenol – a wood and textiles preservative.

Lufthansa and Swissair join fare-cutting war in the US

By Daniel Green

LUFTHANSA, the German state airline, and Swissair yesterday cut their ticket prices between the US and Europe in response to a transatlantic price war which broke out among US air carriers on Tuesday.

KLM, the Dutch airline, and British Airways said they were reviewing their pricing policies. The Lufthansa discounts apply between 12 US cities and 43 European destinations, leaving a New York-Frankfurt business class return ticket $772 cheaper at $2,000 (£1,098.9).

This is latest round in the fight for market share on the world's most competitive long-haul routes. It was initiated on Tuesday by the third biggest US carrier, Delta Airlines, whose larger rivals, United Airlines and American Airlines, quickly followed suit. Continental Airlines has also matched most of the lower fares.

The reductions are on higher-priced tickets, including first and business class. These are for the summer season only, so travel must start by September 30 and finish by October 14.

Transatlantic traffic has been healthy in recent weeks, especially by comparison with slack domestic US demand. But the growth in traffic between the US and Europe has been largely leisure travellers buying cut-price tickets. The Delta move was intended to stimulate business traffic.

US carriers have been price-cutting heavily on domestic US routes since April, when American Airlines cut business fares and created a simplified ticket structure on its domestic routes. The price war has come at a time when air travel is beginning to pick up after a slump induced by the recession and the Gulf war.

Six of the world's top 10 airlines have lost money over the past two years and with price cuts now have little hope of returning to profit this year.

The price war triggered by Delta caught its competitors by surprise.

"We're puzzled and totally perplexed by Delta's move because advance bookings to Europe have been very strong," said United on Tuesday. Delta cut fares by up to 45 per cent on business, first-class and full-price economy ticket.

Falling fares worried investors in airline stocks, some of which saw significant declines in share prices yesterday.

US senator urges force to curb Serbia

A SENIOR US Senator yesterday warned that military action might be needed to curb Serbia's territorial ambitions, writes Jurek Martin in Washington.

Senator Richard Lugar, the Republican from Indiana, urged the Bush administration to take the lead in getting the United Nations and Nato to bring about "a stern enforcement" of a ceasefire in Yugoslavia and, failing all else, to be ready to use force against the regime in Belgrade.

"The time for drawing the line has come," he said. "The UN should authorise nation states to use force. Nato should draw up plans for a comprehensive use of force as thorough as that formulated for air, sea and ground forces in Desert Storm."

"A final demand," he went on, "should be made for a ceasefire followed by diplomatic resolution of claims and boundaries, with the UN or Nato, in some combination, providing peacekeeping forces." If Serbia did not yield, he said, "it should face sufficient military force to ensure its certain and swift defeat."

Senator Lugar's intervention is an attempt to break the logjam of US political indifference to events in Bosnia-Hercegovina. The Senate foreign relations committee is to take public discussion further today in special hearings.

Debate on policy is calling into question UK institutions such as discount houses

EC central banks to press ahead with monetary plans

By Peter Norman, Economics Correspondent

EUROPE'S central banks intend to press ahead with a controversial attempt to draw up a common European monetary policy despite the setback to plans for economic and monetary union dealt by Denmark's rejection of the Maastricht Treaty.

According to senior European monetary officials, the issue, which already has exposed big differences between the British, German and French central banks, is potentially more contentious than the disputed location of the proposed European central bank (ECB) itself.

The shape of a future European monetary policy and the way it is put into practice could have a significant influence on European financial markets, including London. The debate is calling into question specifically British institutions such as the discount houses, which channel liquidity from the Bank of England to the UK banking system, and raising the possibility that Britain may have to adopt continental-style monetary instruments such as minimum reserve requirements.

Any final decision on a European monetary policy will also influence the structure and organisation of the European System of Central Banks (ESCB), that under the Maastricht plan is due to be established in the third and final stage of Emu.

Three models for operating a European monetary policy have emerged from talks in the EC's committee of central bank governors and among senior officials in the committee's monetary policy sub-committee and a special "economic unit" attached to the committee's secretariat.

Most contentious is a decentralised system, proposed by the French central bank, where the operation of monetary policy would be kept as far as possible among the existing national central banks, which will coexist with the proposed ECB as part of the ESCB. The French claim this principle best conforms with the principle of subsidiarity, which calls for decisions to be taken at the lowest possible government level.

There is a Bundesbank-type variant, in which monetary operations such as repurchase agreements could be arranged through national central banks in much the same way that the state central banks in Germany are at present used to assemble and process bids for central bank funds in Germany.

A centralised system in which the monetary operations would be concentrated in one location has also been under discussion.

This system would be analogous to the Bank of England's method of providing funds and setting interest rates through institutions such as the discount houses. However, it appears that the Bank has not been actively pushing this idea as a model for Europe, because it realises that it would be impossible to transfer UK-type institutions to the continent. Instead, it has supported ideas for a decentralised system which would allow the UK to keep some of its monetary institutions.

Some of the tension underlying these issues came to the surface last last month in a speech given by Mr Helmut Schlesinger, the Bundesbank president. He rejected the centralised, British-style model as being inconsistent with subsidiarity.

However, he did not spell out a more deep-seated German concern that the French ideas could lead to national central banks setting slightly different interest rates from those established by the ECB. This, the Germans fear, would create competitive distortions and upset the principle that monetary policy should be the same throughout a future economic and monetary union with the primary goal of combatting inflation.

Many other difficult questions have to be resolved. A dispute between the Bundesbank and Bank of England is possible over whether the future ECB could force banks to deposit non-interest bearing minimum reserves with it to help it control EC monetary policy. Another open question is whether the ECB should set a broad money target for the eventual monetary union.

The Maastricht summit gave the job of preparing the single monetary policy to a new European Monetary Institute, which is due to begin operating at the beginning of 1994. However, the central bankers have decided that the issues are so complex that they need to be tackled before that date.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Lithuania averts political crisis

By John Lloyd in Vilnius

THE government of Mr Gediminas Vagnorius, the Lithuanian prime minister, narrowly survived a vote on his resignation on Tuesday night and will now continue to govern until elections timed for the autumn.

Mr Vagnorius has claimed that the bitterly-divided parliament has prevented the passing of urgent laws and has been unable to agree a new constitution for the country.

At the same time, the failure of Mr Vytautas Landsbergis, the chairman of the Lithuanian Supreme Council, to get support in a referendum last month for the reintroduction of the office of president has weakened his authority and that of the right-wing government which he appointed.

Ministers said yesterday that no decision could be made on the presidency or on the constitution for some months. At least four versions of a constitution are now drawn up, with their authors being split between options which call for a strong presidency – favoured by Mr Landsbergis – and those which call for a strong parliament, favoured by the opposition groups on the left.

Mr Algirdas Saudargas, the foreign minister, said that "we have no stable majority in parliament but the left-wing is also divided. They don't really want to govern, so we will carry on".

Lithuania, like Estonia and Latvia has so far been unable to persuade the Russian government to agree to its demands to withdraw the 35,000 Russian – formerly Soviet – troops from its territory. A meeting between Mr Landsbergis and Mr Boris Yeltsin, the Russian president, in Moscow at the weekend ended only with a vague promise from Mr Yeltsin to speed up their withdrawal. However, General Pavel Grachev, the Russian defence minister, has said that the troops will not be fully withdrawn until 1999.

The politics-weary Lithuanians are being asked to vote again on Sunday on whether or not they wish the Russian army to leave the country – a move aimed at putting further pressure on the Russian government, and also at convincing the west to give further support to the demand for withdrawal. However, the vote is widely seen as unnecessary and potentially damaging if there is a large abstention.

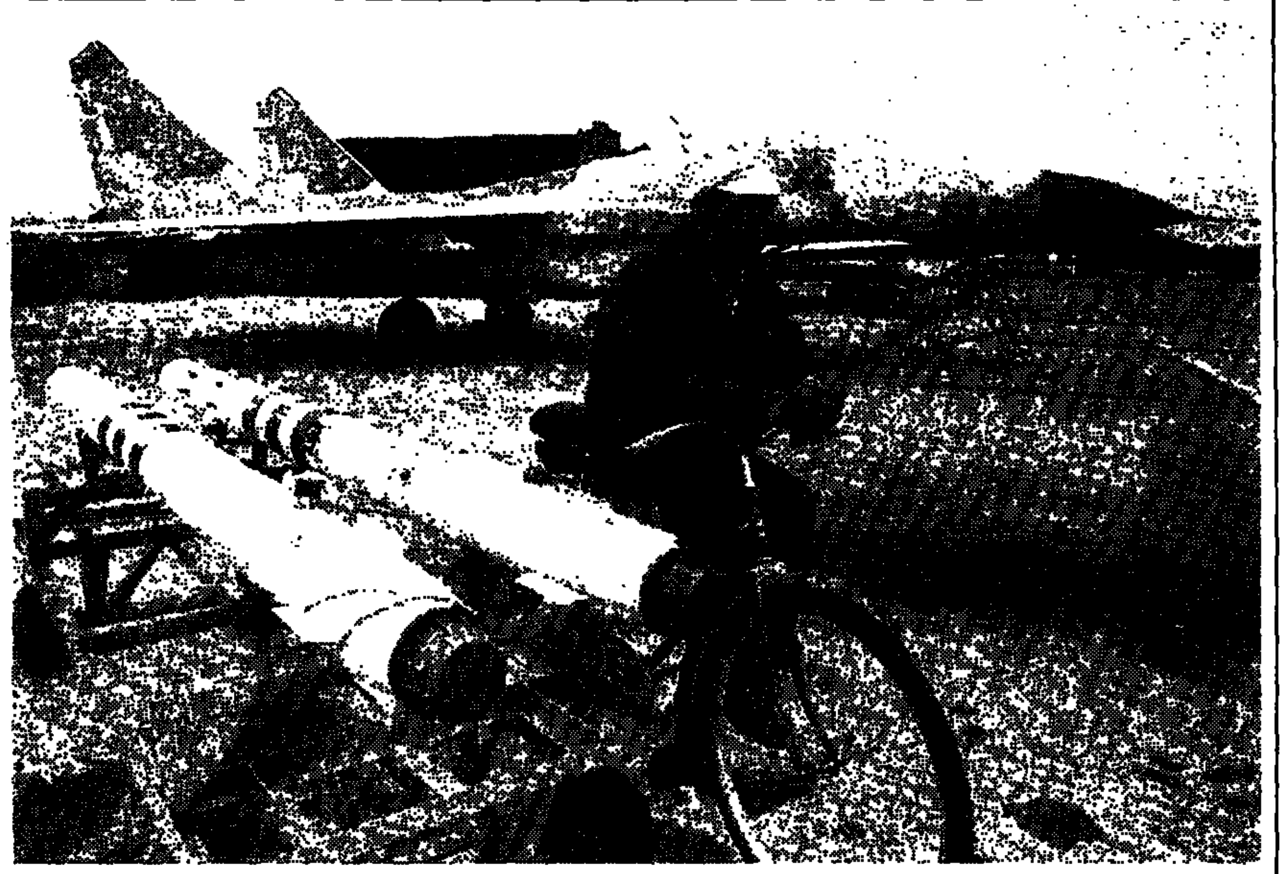
Economic reform has proceeded rapidly in Lithuania, with 50-60 per cent of flats and many small businesses and shops privatised, and with a claimed 48,000 farms transferred from state to private hands.

Meanwhile, the planned introduction of a stock market on July 1 is likely to be delayed by two months

The introduction of the new unit of currency, the Lit, has been delayed and will not happen until the end of the year. An economic programme is now being discussed with the IMF, with further negotiations timed for next week.

Mr Vytenis Aleshkaitis, the minister for foreign economic relations and the main economic reformer in the government, said yesterday: "We need a period of stability urgently in order to introduce the new currency and to cope with the economic shocks associated with it.

"But I think that the direction of policy is now so clear that any government will have to continue our policies."



A worker prepares missiles for loading on a Russian MiG-29 fighter jet at the factory test facility at Lukhovitsy, about 100km south-west of Moscow. Russia hopes to find foreign buyers for the aircraft when it appears at the Berlin air show this week

Slovaks rule out talks with Havel

From Ariane Genillard in Prague

THE prospects for successful talks on the future of the Czechoslovak federation faltered again yesterday as the Slovak nationalists ruled out a meeting with the Czechoslovak president, Mr Vaclav Havel.

Mr Vladimir Meciar, the newly-elected leader in the Slovak republic and his Czech counterpart, Mr Vaclav Klaus, were to meet President Havel today in Prague to continue their attempts to agree on a reduced federal state which would bind the Czech and Slovak republics together. They will instead meet without the president.

Mr Havel's presidential re-election could become the biggest stumbling bloc in negotiating a federal structure. Mr Meciar has pledged to bloc the re-election of Mr Havel in the federal parliament after the latter called on voters not to support candidates with "dictatorial tendencies". But the Czech side has refused to back down on its support for the president, with Mr Klans saying it was "the basis for any further negotiations".

A first meeting between Mr Meciar and Mr Klaus on Monday night only revealed the extend to which both men disagree over the future of the country, with Mr Klaus unambiguously rejecting the Slovak demands for some sort of economic and defence union.

Mr Klaus, however, called for the quick formation of a government before July 5 when the presidential election is due in the federal parliament. But Mr Meciar told reporters this scenario was highly unlikely.

According to Mr Meciar, any federal structure would be temporary until a referendum on independence is held in Slovakia, possibly by the end of the year. He also said that a referendum should be initiated by the Slovak parliament and not the federal parliament as the law currently stipulates.

The new Slovak parliament is likely to take a series of measures violating federal law. Mr Meciar, together with Mr Peter Weiss, leader of the renamed communist party in Slovakia which came out second in last weekend's elections, said they would immediately abolish in the republic the federal law which forbids former high-ranking communist officials and secret police agents from holding public office for five years.

Mr Meciar is believed by his opponents to have removed, in his short spell as Slovak interior minister after the revolution, any incriminating evidence on his relations to the hated secret police.

■ The break-up of Czechoslovakia would probably lead to a significant renegotiation of at least the trade elements of the country's association agreement with the European Community, according to a senior Czechoslovak official, writes Ian Rodger in Basle.

"One party to the agreement would no longer exist so we would have to negotiate separate agreements or else find some *modus vivendi*," Mr Zdenek Drabek, of the federal economics ministry, said. Mr Drabek was attending a conference on problems in eastern Europe, sponsored by the Institute for East-West Studies.

Ukraine mine deaths fuel anger

By Christia Freeland in Kiev

THE accident on Tuesday at the coalmine in Ukraine, which has claimed at least 55 lives, threatens to spark protests against the deteriorating economic conditions in Ukraine by the well-organised Russified miners from the eastern regions of the country.

The accident, a methane gas fire, was at the Sukhodolska Skhidnia mine in Luhansk, the easternmost region of Ukraine. By late yesterday afternoon rescue workers had recovered 55 bodies and expected to find more buried in the deep mine shafts.

Before the accident the miners of the Donbas region had planned to picket the Ukrainian parliament in Kiev and the disaster is likely to add to their anger.

Mr Yuri Bolderov, a dynamic union leader, said that next week the miners would push their demands for greater regional economic autonomy, higher wages, and the removal of the conservative prime minister, Mr Vitold Fokin.

Russia's young generals to overhaul the army

Yeltsin in defence shake-up

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin yesterday appointed army commanders to top positions in the new Russian defence ministry and called for effective borders with the Baltic republics in an attempt to stop western spies from infiltrating Russia.

In a move going some way to restoring the land forces to their traditionally dominant role, Colonel-General Viktor Dubynin, former commander of Soviet armed forces in Poland, became first deputy defence minister and chief of staff. Colonel-General Valery Mironov, commander of Russian forces in the Baltics, will be deputy minister responsible for personnel and training. The two other new deputy ministers are Colonel-General Vladimir Toporov, until now the commander of the Moscow military district, and General Georgy Kondratiev, who has been in charge of the Turkestan military district which covers all of Central Asia.

Since key army commanders supported the abortive August coup against President Mikhail Gorbachev, the army's influence has been curtailed with the air force supplying the Commonwealth defence minister, Marshal Yevgeny Shaposhnikov. The Russian defence minister, General Pavel Grachev is a former paratrooper.

Apart from loyalty to President Yeltsin and their contacts in politically sensitive areas such as the Moscow military district, another trait of the new men is their relative youthfulness, with most in their late 40s.

Illustrating his difficult balancing act in pushing through unpopular economic reforms and keeping conservative forces happy, President Yeltsin told a meeting of top military men that there was no alternative to recent price rises but promised officers an 80 per cent pay increase.

Speaking ahead of a trip to the US next week, during which both sides hope to conclude fresh cuts in long-range nuclear weapons, he also accused Washington of seeking unilateral advantage over Russia in current arms negotiations. Mr Yeltsin assured the top brass that he would resist US attempts to dictate nuclear arms cuts that would strip Moscow of its multiple-warhead, land-based missiles, the heart of its force, but leave Washington with potent sea-launched systems.

"If such a decision is taken, the United States would find itself in a more advantageous position," he told the gathering at the white marble "Russian Pentagon". The existing accord would force the US to cut its arsenal from 12,000 to about 10,000 nuclear warheads and the ex-Soviet states to slash their arsenals from about 10,000 warheads to 8,000.

Both sides are seeking further reductions, with Washington proposing a 4,700 ceiling and Moscow advocating 2,500.

He also said in an interview that he had ordered a tightening of borders with the Baltics because their lax entry formalities allowed foreign agents access to Russia. He also said Russia needed a proper border with Azerbaijan because it had introduced "visa-free entry from Iran and Turkey".

Romania emerges from a long winter

The economic situation is improving despite political setbacks, writes Virginia Marsh

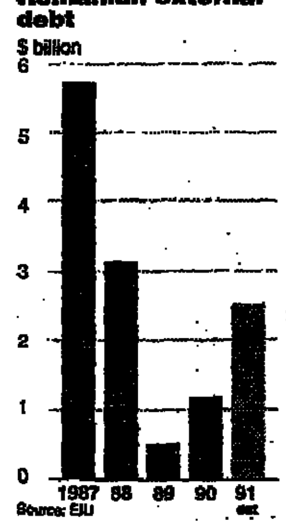
THE International Monetary Fund's decision last month to grant Romania a stand-by credit of \$500m and World Bank agreement on a \$400m loan for 1992-3 are proof that the country's economic situation is improving, even while it continues to struggle with the issue of electoral legislation.

Romania has stabilised considerably since September when three days of miner-led riots in Bucharest toppled Mr Petre Roman's reformist government. In contrast, this winter was marked by an absence of unrest with few work stoppages or popular protests, despite the further erosion of living standards experienced by most Romanians.

Romania has also begun to receive more support from the outside world, after two years of diplomatic isolation. Last month, talks began for Romania's associate membership of the European Community, while the country has recently signed bilateral treaties with Germany, Greece and several former Soviet republics.

Above all, US-Romanian relations have improved, culminating in last month's visit by Mr Lawrence Eagleburger, deputy secretary of state, the most senior US official to visit Romania since early 1990.

Romanian external debt



Source: EIU

But perhaps the greatest reason for increased optimism is that the government, led since October by Mr Theodor Stolojan, an economist, has begun to tackle economic reform once more. In recent weeks, the government has unveiled a new economic strategy, drawn up with the help of the IMF, which withheld its final tranche of credit last year.

The immediate goal is to stabilise the economy which is performing at below 65 per cent of 1989 levels. More specifically, the new strategy aims to halt the decline in production; control inflation which has averaged more than 14 per cent per month so far this year; and build up the country's gold and hard currency reserves, currently at a little below \$1bn, ahead of next winter's fuel imports which this year cost the country around \$500m per month.

So far, the government appears to be putting its strategy into practice, albeit slowly. In the past month the national bank has raised interest rates from 28 per cent to 80 per cent, ended restrictions on companies' hard currency holdings and begun to devalue the leu, the national currency.

However, while Romania's position has undoubtedly improved, any optimism is tempered by a look to the immediate future. Rising unemployment is liable to increase social tensions. As the government admits, its anti-inflationary policies will at least double unemployment to more than 1m, or around 12 per cent of the workforce, by the end of the year. For many Romanians, with average real incomes already reduced by more than 30 per cent since 1989, the months ahead will be even more difficult.

In the meantime, the political outlook is discouraging. A dispute between the government and parliament over the timing of general elections (which should have been held before May 20) resulted this week in a parliamentary rejection of electoral legislation. Romania is now unlikely to hold elections before October. The decision comes as a blow to Mr Stolojan, a non-partisan, caretaker prime minister, who has won support for his economic policies but has been unable to convince an increasingly divided parliament of the need for electoral legislation.

Until elections take place, there is unlikely to be a significant upturn in foreign investment, which on March 31 had only reached \$188m in the period since January 1990. Nor are donor countries expected to pay up pledged credits and aid of more than \$2bn for 1992, money the country desperately needs to undertake further reform.

At the same time, parliament's in-fighting has held up legislation critical for reform. The country is still without an adequate bankruptcy law or legislation to re-establish a stock exchange, while delays in passing new foreign investment regulations are holding up an important exploration deal involving four western oil companies.

Meanwhile, Mr Stolojan, who is not expected to stay in politics, courageously soldiers on. He says he is implementing his strategy ahead of the elections because it represents the only course of action available.

But the questions remain. Future governments, faced with one of eastern Europe's weakest economies and high unemployment, may not have the strength to continue what he has started.

THE EARTH SUMMIT

Eleventh hour struggle over environment pacts

By David Lascelles and Christina Lamb in Rio de Janeiro

OFFICIALS at the Earth Summit were last night struggling to put together agreements acceptable to heads of state who arrive in Rio de Janeiro today.

Last-minute negotiations were under way in an effort to complete agreements on a declaration to conserve the world's forests, and financial arrangements to implement the Earth Summit's decisions.

Major compromises seemed likely in both these areas where deep divisions remain between developed and developing countries. Officials said these deals would have to be struck by ministers, with the summit likely to end with a long bargaining session.

Mr Michael Young, a US State Department official said: "The goal is to complete everything by tonight. That goal is in sight."

Despite talks until 4am yesterday, officials were unable to agree a financial package to help Third World countries deal with their environmental problems. The main issues are the terms on which industrial countries should commit themselves to raising their aid budgets to 0.7 per cent of GNP, the replenishment of the International Development Association (IDA) through which the World Bank helps the poorest countries, and conditions for loans from the Global Environment Facility (GEF), a fund jointly administered by the UN and the World Bank.

Mr Jamshed Marker, the Pakistani official who chairs the Group of 77 Third World countries, said the G77 had accepted the new draft, with the exception of three points which would have to go to ministers.

Among the industrial countries, Japan, which has hinted that it is preparing a big financial package for the summit, has taken a tough line on refusing to commit itself to a timetable for the 0.7 per cent target, and has been insisting on GEF conditions.

Mr John Major, the British prime minister, will announce to the summit how much the UK will contribute, said a UK official.

Disagreements over forests centre on how far countries' sovereign rights extend, certain trade issues, and whether a treaty on forest conservation should be attempted.

Last-ditch battle over convention on forests

Christina Lamb finds deep divisions over how to conserve the world's dwindling tree cover

THE most emotional conflict at the Earth Summit has been over the world's dwindling forests. Before the conference, plans for a forest convention had to be dropped and last-minute negotiations were still under way yesterday on a set of "forest principles" for conservation and management.

Even if agreement is reached, environmentalists complain that this would not be binding and would not halt de-forestation.

Also, there seems unlikely to be any commitment to a future convention.

The crux of the debate is tropical forests and a sharp difference in how they are viewed by north and south.

Industrialised nations tend to see them in environmental terms as a trove of biodiversity and greenhouse gas "sinks" that absorb carbon dioxide and thus reduce global warming. Developing countries tend to see them in economic terms as a trove of resources, such as a free source of fuel, valuable tropical woods and potential farmland.

Malaysia, which has led resistance by the Group of 77 developing countries to a convention, argues that, if the forests are so important, then the north must pay to preserve them, pointing out that the first world has already destroyed most of its forests.

With plans to log up to 50 per cent of its forests by the end of the decade, Malaysia is hardly disinterested.

Mr Lim Keng Yaik, its primary industries minister, says: "This is the first time in any multilateral negotiations I've seen the poor south being asked to support the rich north. Well, I'm poor and need my forests to get on in life so, if you want them, you must pay – and give me technology and investment".

In the Rio negotiations themselves, India is taking the hardest line, while officials from Brazil, which has the world's largest forest, insist they will only agree to a convention if it includes other areas such as temperate forests, deserts, marine estuaries, mountains and savannahs.

All OECD countries and Russia favour a strong declaration on forests, with a commitment to a future convention, but the US delegation is leading the charge. It is anxious to show its green credentials in at least one area and so have something for President George Bush to sign when he arrives today.

Mr William Reilly, head of the Environmental Protection Agency, says: "The principal priority of the US at this conference is in better management and conservation of the world's forests."

Last week, Mr Bush announced a $150m annual grant for forests, and the US moved to curb clear-cutting in its own forests, but the initiative was interpreted as a distraction from its refusal to sign the biodiversity treaty. Environmentalists even say that US support on forests is proving a liability because of its status as the villain of the summit.

Moreover, the US is now trying to link its financial support for Agenda 21, the central summit declaration on environmental principles, and signing of the Rio Declaration to the commitment of G77 countries to a forest convention.

Mr Reilly confirmed yesterday: "We believe all these issues are inter-linked".

Environmentalists want the issue resolved urgently because forest cover has been reduced by a third from its original extent. Over the last four decades, de-forestation has accelerated sharply, especially in developing countries, which have 60 per cent of remaining world forest cover.

Tropical forests are disappearing at the rate of 17m hectares a year, according to FAO statistics. This not only adds to global warming, soil erosion and flooding, but, because 50-75 per cent of all species of plants and animals live in tropical rainforests and most are yet to be identified, this means species are being lost even before being identified by humanity.

So contentious is the issue that, until this week, it seemed that even the forest principles would not be agreed to. With 10 per cent of the world's forest and a 25 per cent share in the $100bn world timber trade, Canada has been playing a vital mediating role.

Mr Jag Maini from the Canadian environment ministry, explains: "For us, forests have both an economic and environmental role because Canadian forestry represents a $55bn industry and 800,000 jobs."

Disagreement remains on the issue of trade and the ability of countries to take unilateral action, such as boycotts of timber products, as well as commitment to a future convention.

Mr Robert Buschbacher of the Worldwide Fund for Nature says: "The declaration is weaker than some existing international agreements. It is a huge missed opportunity to protect the world's forests."

Mr Maini is less pessimistic: "It's a very complicated issue and the forest principles are at least a start. I see them like the Ten Commandments – we all lie and cheat a little but they've played an essential role in establishing social order."

Bush courts disaster in Rio

By George Graham in Washington

WHEN US President George Bush arrives in Rio de Janeiro today he could be embarking on his biggest public relations disaster since his accident-ridden trip to Japan in January.

It was only just over a month ago that Mr Bush decided to go. White House advisers feared all along he could only lose, whether he went to Rio or not. But the administration used the threat of the president's absence to force concessions from other nations on the summit's convention on climate change.

Yet in agreeing the president should attend, Mr Bush's advisers appear to have underestimated the extent of US isolation on almost every item on the agenda – not only the climate change convention, but also a biodiversity agreement which Mr Bush refuses to sign, and even the declaration of environmental principles.

US officials tried to take the offensive this week to pave the way for the president's arrival. They claimed the US record on the environment was far better than those of many of its critics, and attacked Japan and Germany for bowing to a "guilty developed world logic".

One senior US negotiator assailed both developing and developed countries for putting rhetoric before action, and claimed one European diplomat had told him his country would sign the Rio conventions because it did not take them seriously. "These countries need a shot across the bow. They are taking a holier than thou attitude when they have records nowhere near as good as ours," he said.

The US spends nearly $130bn (£71.4bn) a year on pollution control, or about 2 per cent of gross domestic product – substantially more than most other developed countries.

The US has also achieved considerable reductions in pollutant output. Lead emissions have been cut from 163,600 tonnes in 1970 to 2,200 tonnes in 1990, while carbon monoxide emissions have been nearly halved over the same period.

But the US, with its high living standards and high energy consumption, still contributes more to global pollution, both per capita and in absolute terms, than other countries.

Details of environmental policy, however, have been largely eclipsed domestically by a black and white perception of the conflict between the environment and employment – a perception heightened both by the persistent sluggishness of the US economy and the imminent US election.

Mr William Reilly, administrator of the Environmental Protection Agency and the US's chief delegate to the Rio conference, has often been a lonely advocate within the Bush administration of environmental protection.

In recent months, however, his position has come under sustained attack, especially from the Council on Competitiveness, a pro-business committee chaired by Vice-President Dan Quayle that works behind the scenes to influence administration policies and regulations.

This battle came to a head last week with the leaking of a memorandum in which Mr Reilly sought backing for a final attempt to change the biodiversity treaty in such a way that the US could sign it.

With Mr Bush promised a hostile reception in Rio, the White House has scheduled a brief visit to Panama, presumably in a bid to remind US voters that it was Mr Bush who freed the country of General Manuel Noriega, its former military dictator. This is unlikely to be enough to distract attention from the president's isolation in Rio.

George Bush: his trip could emerge as a huge public relations disaster

A monument to reluctant sponsorship

By David Lascelles and Christina Lamb

DIARY

THE centrepiece of the Riocentro is a 20-foot red and white sculpture entitled Paradise Regained, made entirely of recycled aluminium. But the monument has proved something of a headache. British sculptress Edwina Sandys made it at the invitation of the UN Development Programme, and the hope was that some kindly sponsor would foot the bill.

That has not happened, and Ms Sandys is now about $75,000 (£41,200) out of pocket. She is still hoping to find a commercial backer so that the piece can stay in Rio as a memento.

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Summit participants are taking great national pride in the decor of their negotiating cubicles. The FT prize for the most imaginatively decorated office goes to Senegal, with its elegantly arranged swathes of colourful batik. The Japanese box is, of course, the biggest and best-equipped. The Malaysians do a good line in exotic flowers and have the best coffee.

The delegation from Botswana has an impressive array of tropical plants and the slickest public relations machine.

A special award goes to the British as the most organised party; there is always someone available for a briefing, even if the receptionist is rather ferocious.

The Saudis have strung carpets on the walls along with pictures of King Fahd. A picture of Saddam Hussein dominates the Iraqi box. The Chinese have covered their cubicle with uninspiring information posters. The Brazilians are commended for their friendliness and constant supply of coffee.

The Russians are almost invisible, while absentees include Tajikistan, Ukraine, Turkmenistan, Croatia and Moldova. The Afghanistan box is also still empty.

The booby prize goes to the US, which rents a tiny undecorated box which would fit 30 times into the Japanese cubicle.

American delegates prefer to spend time and hold briefings in the Sheraton hotel, 15 miles away.

US allowed Malaysian arms sales to Iraq

By Alan Friedman in New York

THE Bush administration gave its approval in November 1989 to Indonesian government arms sales to Iraq, according to a declassified State Department cable made public in Congress yesterday.

The cable is the first confirmation that the US gave explicit approval to allies to sell arms to Iraq, while Washington was ostensibly operating an embargo against Baghdad. The cable was sent to instruct a US envoy who was to hold a meeting with an Indonesian minister over Jakarta's wish to sell French Super-Puma helicopters to Iraq.

The cable, which was classified secret and sent by Mr Lawrence Eagleburger, the deputy secretary of state, says: "Although the US severely limits the sale of our own munitions-list items to Iraq, we have not had a policy of discouraging other countries' arms sales to Iraq. Such a policy is in effect with regard to Iran."

Mr Sam Gejdenson, a Democratic on the House foreign affairs committee, yesterday released the cable along with other documents illustrating the US "tilt" to Iraq, both before and after the August 1988 conclusion of the war between Baghdad and Tehran.

Mr Gejdenson, who yesterday claimed that Mr James Baker, secretary of state, had withheld documents from his congressional investigation into US relations with Iraq, stressed the Eagleburger cable was sent less than nine months before Mr Saddam Hussein invaded Kuwait and well after the end of the Iran-Iraq war.

At the height of the US tilt to Baghdad, in a cable signed in June 1984 by Mr George Shultz, then secretary of state, it was stated that "under present circumstances, in which Iraq is clearly on the defensive and Iran is in little danger of defeat, we are not actively opposing non-US controlled exports of arms to Iraq, which do not contribute to widening the war".

Mr Gejdenson yesterday also released a late 1988 State Department memo – entitled Guidelines for US-Iraqi Policy – that seemed to oppose any arms sales to Baghdad, but simultaneously suggested making an exception to the US ban on weapons sales by allowing the sale of C-130 transport aircraft and computers.

Robertson drops bid for UPI

By Jurek Martin in Washington

REV Pat Robertson, the television evangelist who once had presidential ambitions, will not proceed with his $6m (£3.2m) takeover of United Press International, the loss-ridden news agency.

He told a Washington news conference yesterday that a review of UPI's finances and operations had shown that "its economics just don't seem to make sense". He said he might submit a bid for one or two of the company's assets, including possibly its name, later in the day.

Mr Robertson, who runs the Christian Broadcasting Network, emerged as the only bidder for all of UPI at a bankruptcy hearing last month. He was given 30 days to inspect its books, during which time he has been paying the 500 staff still working at the agency.

Advisers had told him he would have to spend about $31m on UPI over the next 18 months to make the news agency notionally viable, but with no guarantee of commercial success. He noted wryly that his own broadcasting company had recently dropped UPI's service in favour of Associated Press.

There had been speculation that Mr Robertson might use UPI as a vehicle for proselytising his fundamentalist beliefs, a prospect which alarmed Kyodo, the Japanese news wire service and the agency's largest remaining client.

Cuba opens doors wide to foreign investment

Damian Fraser takes a business trip to Havana

THE Cuban government yesterday stepped up its latest and most visible attempt to attract foreign capital so as to shore up the island's battered economy.

About 125 potential foreign investors arrived in Havana to be awarded celebrity status by the government. They included officials from subsidiaries of Eastman Kodak, ICI, Philip Morris, American Express and Procter & Gamble, and a large number of US lawyers, some of whom were said to be representing camera-shy Cuban-Americans.

Eighty of the participants were from the US, although US law forbids them to invest in Cuba. This prompted one delegate to suggest the Cubans were unwittingly making arrangements for life after President Fidel Castro.

"We can't invest now, but we need to be ready in case Fidel goes," one US visitor said.

The visitors were to meet the foreign trade minister, the national bank president and senior officials from their respective sectors.

The investors had been briefed on Tuesday, by other government officials at the Mexican resort of Cancún, as part of the conference on investment in Cuba organised by Euromoney magazine.

The clear message was that almost all foreign investment was welcome, and that rules to limit foreign ownership to 49 per cent of an enterprise could be partially lifted. "It is", said Mr Oscar Alfonso Montalvan, of the state committee for economic co-operation, "a socialist opening for a capitalist world."

Cuba claims to have received about $400m to $500m (£217m-£271m) in foreign investment last year, mainly in big hotels built by, among others, the Spanish company Grupo Sol.

Mr Ernesto Meléndez Bach, of the economic co-operation committee, said that due to this, Cuba would attract 1m tourists in 1995, up from 500,000 this year and 250,000 in 1988. He said that the typical foreign tourism developer in Cuba recovered his investment in 3½ years.

Mr Meléndez and other officials said Cuba was open to investment in oil exploration, nickel, capital goods, textiles and agriculture, and could refine oil for foreigners.

The government says it has given individual state enterprises authority to make most of the decisions in their sector, in an attempt to ease bureaucracy in foreign investment.

Mr Orlando Hernández Guillén, commercial director at the foreign trade ministry, claimed that, for example, approval to set up a textile factory in Cuba would take a mere 25-30 days.

Mr Raúl Amado Blanco, Bank of Cuba vice-president, said Cuba would consider debt-equity swaps to attract foreign capital, although he emphasised that fresh money would have to be part of any such arrangement. Cuba is in default on some $6.5bn of its foreign debt. Mr Blanco said there were "possibilities for fruitful dialogue" with banks on the debt, but there remained an impasse between Cuba and its official creditors.

Foreign investment is now seen as the last hope for Cuba, whose gross domestic product dropped by 25-30 per cent last year after the collapse of trade with the former Soviet Union.

The potential foreign investors seemed unsure what to make of Cuba's overtures. One fund manager enthused: "Cuba is following the China model. We could easily have closed-end investment trusts with joint ventures with Cuban partners that would trade in non-American stockmarkets."

A time-share tourism developer from Miami was not so sure: "Right now, all we have heard is that they want our money. But what about legal certainty? Can they buy you out when they want?"

Rebuke for Brazil over forced labour

THE International Labour Organisation yesterday issued an unusually stern rebuke to Brazil for failure to implement laws against forced labour, AP reports from Geneva.

A special ILO committee urged the Brazilian government to step up its efforts "to end the existence of appalling labour conditions", cited in a damning report on the extent of what is often near-slavery.

The report said thousands of men, women and young children were forced to work in mines and on the land in Brazil, facing punishment and even death if they try to escape.

The ILO's Committee on the Application of Standards said it recognised the problems in enforcing labour laws in remote parts of the country, but said the government should do more to stop the violations and punish the guilty.

Officials said the use of the word "appalling" in the committee's conclusions was exceptionally strong.

Mr Ken Thomas, trade union spokesman on the committee, described the situation in Brazil as an "international disgrace."

The report detailed allegations that Brazilians hired to work arrive at their destination, often thousands of miles from home, to find they have been charged for transportation and that the wages are lower than promised.

Bolivia puts 60 companies up for first privatisations

By Christopher Philipsborn in La Paz

BOLIVIA launched its privatisation programme this week by ear-marking more than 60 enterprises, ranging from cotton mills to cement factories, for sale.

Mr Samuel Doria Medina, planning minister, said he hoped the first stage of the privatisation – which will involve selling 33 of the 60 – will bring in some $60m.

The privatisation bill was before the legislature for two years.

The launch of the programme follows a decision of the Bolivian supreme court that privatising state enterprises, some of which have been in state hands since nationalisation after the 1952 revolution, was constitutional.

The confederation of Bolivian trade unions is threatening widespread industrial action in a bid to halt the process.

Mr Doria said several privatisation mechanisms would be used, including employee share offers, asset sales, leasing, private capital investments and share offers on Bolivia's small stock exchange.

The minister added: "The state does not have the resources to invest in these companies. The only criteria which will determine their sale will be price. Mechanisms will be put in place to avoid doubtful practices and corruption."

The government has shrunk from privatising the country's most attractive assets, which are in its natural resources of metals and oil. Privatising these sectors remains unconstitutional and the government has opted for joint-venture exploration and exploitation.

The first Bolivian enterprise to go under the hammer is an edible-oil factory at Rafael Deheza, now operating at 6 per cent capacity and losing money. Mr Doria believes the plant could be turned around with an investment of less than $1m.

The government acknowledges that many of the 60 or so enterprises for sale are already closed for want of adequate investment; others are functioning at far below maximum productive capacity.

Despite the modest expected revenues, the privatisations are seen as having symbolic importance, as a start in the attempt to diminish the size of the state sector while convincing Bolivia's foreign creditors that the government is firmly wedded to a liberal economic policy.

Peruvian police capture guerrilla leader

By Sally Bowen in Lima

MR Victor Polay Campos, leader of Peru's second-largest guerrilla group, has been captured in a Lima suburb. His arrest is a much-needed boost for the anti-terrorist police and a relief for the government, which this week introduced a night-time traffic curfew in the capital following stepped-up terrorist activity.

Mr Polay is head of the Tupac Amaru Revolutionary Movement (MRTA), a pro-Cuban group which has operated in Peru since the mid-1980s. It has periodically vied with the hard-line Maoist Sendero Luminoso (Shining Path) for domination of areas of Peru's coca-rich northern jungle. The group was particularly active in Lima during the Gulf war, attacking US-affiliated installations and businesses.

MRTA activity has fallen in the past few years. This further blow to the organisation will please Peruvian businessmen; it financed its well-equipped forces through kidnap and extortion rackets in which thousands of legitimate businesses paid "quotas" to support the revolution.

Less ruthless than Sendero, the MRTA has nevertheless been responsible for hundreds of deaths and millions of dollars' worth of damage in bomb attacks.

Mr Polay was first captured in 1989 but, in July 1990, he escaped from a high-security prison, with 47 other MRTA prisoners. He was formerly a friend and party colleague of ex-President Alan García.

NEWS: WORLD TRADE

Mexico faces hard choice in keeping oil out of Nafta

In the first of a series on the North American free trade area, Damian Fraser looks at the effect of the proposed pact on the Mexican oil industry

WITH Cuba, Argentina, and the ex-Soviet Union all opening up oil exploration to foreign companies, Mexico's reform-minded government might be expected to do the same. But wary of tackling Mexico's most potent nationalist symbol, the government insists that the North American Free Trade Agreement (Nafta) will not allow foreign exploration of Mexican oil, nor lead to the privatisation of Petreleos Mexicanos (Pemex).

President Carlos Salinas at Pemex's recent 54th anniversary was clear enough: "The property of oil stays uniquely and firmly under the control of the Mexican state". Mexican trade negotiators have repeated this so often, that there can be little doubt that risk, or wildcat, contracts will not be permitted.

The US, sensitive to Mexican nationalist sentiment, *has in* any case stopped short of demanding changes that would allow wild-catting.

The government has ordered Pemex to produce plans for radical reform following the Guadalajara gas explosion in which more than 200 people died. The company is likely to be broken up into subsidiary companies looking after areas such as exploration, refining and gas sales, with the core company operating as a giant contractor. While the government does not intend to sell Pemex, at least in the short term, the reform is likely to lead Pemex to contract out much more work to foreign companies.

In the meantime, the US is eyeing other opportunities. The petrochemicals industry is calling for direct investment in Mexico's basic petrochemicals; the gas and oil companies want to sell gas and refined products to the Mexican end-user; contract companies want to make it easier to sell Pemex equipment, and to carry out drilling and other services. The US government may also want a secure oil supply from Mexico guaranteed. Pemex has *baulked at such demands, but* the Mexican government will concede most of them, as it plans to turn Pemex into a modern and lean oil company, focused on production and exploration.

Plans to modernise Pemex pre-date the latest reform programme as well as negotiations over Nafta. The government cut the number of petrochemicals reserved to the state to 19 in 1989, and has made clear the number will be cut further after Nafta is signed.

Likewise, Pemex has already decided to follow the path the big oil independents took in the 1960s and contract out drilling work to specialist companies. These turn-key projects, to be financed by a $1.3bn loan from the US Eximbank, do not break Mexico's constitution, since the company's payment does not depend on the amount of oil found. The first such project was awarded to Triton International last spring, which drilled into the ocean in a record 127 days, half Pemex's normal time. Since then, EPN Sonat, a joint venture between Sonat of the US and the Mexican EPN Arval has won two contracts worth $100m to drill six wells in the *Bay of Campeche.*

The turn-key projects will not attract the big US oil companies, who rarely do drilling contract work, says Mr Ed Porter of the American Petroleum *Institute in Washington.* Instead, the market will be left to the small independent engineering and drilling companies. Nafta will make such contracts easier for US and Canadian companies by cutting the *paperwork, middlemen, and* preference Pemex has in the past shown to Mexican contractors.

Perhaps, above all, says Mr Rafael Quijano, of the Petroleum Finance Corporation in *Washington, and a former* Pemex employee, Nafta will "create an environment in which contract business can flourish". But given that total Pemex investment in exploration and production is $1.7bn this year, the contract work might be worth at most $500m a year.

Glyn Genin

Mud blowing back at a Mexican rig: Pemex is now likely to contract out such work

Many foreign oil companies still hope Mexico will relax regulations against foreign equity investment, but some time after Nafta is signed. Even by the most pessimistic estimates, Pemex has 30bn barrels of *crude equivalent in oil* reserves, and thus a production reserve ratio of 21-1, double that in the US.

Pemex's pressing economic problem is not in finding oil, which is what the big oil independents can offer Mexico, but bringing it up to the ground. That kind of work does not require risk contracts.

The US gas producers may have more luck than the big oil independents. Imports of natural gas into Mexico have grown rapidly, because of greater industrial development along the border, and stiffer environmental regulations.

Demand is expected to continue to rise, which would require substantial investment in new gas pipelines. Mexico may let US companies build the pipes, but this would require changing current regu*latory* law.

While Pemex may be unwilling to abandon its monopoly in energy exploration, it desperately needs help in refining products; Pemex imported a record $1.25bn of petroleum and petrochemical products last year. It intends to build a new refinery in central Mexico soon, and expand production at existing ones, at a cost, according to Petroleum Intelligence Weekly, of at least $8bn. Pemex is looking for a foreign partner in building and financing a refinery, although Pemex will *operate the facility.*

The trouble for Pemex is that little foreign interest has been shown in the schemes Mexico has proposed. Engineering companies do not want to receive payment in refined crude. Oil companies do not want Pemex to operate the final facility, and would like to sell oil they have refined in the Mexican market.

One foreign oil executive suggests that as Mexico's import bill for refined products climbs, the government will open up refining and the sale of refined products to foreign oil companies, some time after Nafta is signed. The Guadalajara disaster, for which Pemex was blamed, is increasing the pressure for change.

However, opening up exploration and production remain difficult, since the property of *oil would still remain "firmly* in the hands of the state".

Further articles on Nafta will appear on this page in coming weeks

West 'blocks exports from Bangladesh'

By Frances Williams in Geneva

EFFORTS BY Bangladesh to liberalise its trade regime and boost exports are being handicapped by trade barriers in rich western countries, the General Agreement on Tariffs and Trade (Gatt) says in a review of the country's trade policies.

Discussing the report yesterday, Gatt's governing council called for improved access to foreign markets for Bangladesh's exports, reinforced by "adequate financial and techni*cal assistance", to support* continued trade reform.

The report notes that non-traditional exports such as clothing and frozen fish have grown rapidly since the early 1980s while traditional exports such as jute, leather and tea have stagnated. But Bangladesh's export base remains narrow with these five areas accounting for over 90 per cent of export. Moreover, clothing exports *to the west are now* subject to quota restrictions under the Multi-Fibre Arrangement and other bilateral arrangements, and other exports face a variety of tariff and non-tariff barriers.

The Bangladesh government has been particularly stung by a US decision to impose anti-dumping duties of up to 42 per cent on shop towels from Bangladesh. In 1990 these imports, which are used for wiping machine parts, amounted to a princely $2.46m.

With few natural resources and a tiny industrial sector, Bangladesh's export income covers only 40 per cent of import needs, leaving 60 per cent to be financed by overseas aid. Its 108m people have an average income of less than $200 a year, making Bangladesh one of the poorest of nations.

The Gatt report urges "a more sympathetic external environment" to encourage Bangladesh's export potential and underpin continued economic liberalisation. "The elimination of barriers in key export markets" would help to reduce transitional unemployment and balance-of-payments problems, it says.

Trade reforms begun in 1985 *have had some success in* reducing protection, encouraging exports and improving economic efficiency, the report adds. But Gatt criticises the Bangladesh government for spending too much propping up loss-making companies.

Doubts surround big Java chemicals plant

By William Keeling in Jakarta

CONSTRUCTION of the $1.6bn (£870m) Chandra Asri olefin (petrochemical) plant in West Java may be delayed by uncertainty over the security of a $550m line of credit from state-owned Bank Bumi Daya (BBD).

The Indonesian government has said BBD's irrevocable letter of credit must not be drawn down, but bankers close to the project say contractors, including Japan's Toyo Engineering, may have to call on the facility.

Uncertainty over the facility is adding to delays finalising the remaining finance, about half the project's total cost, required for the project's completion. Bankers say committed finance includes BBD's credit and a further $212m of loans drawn down as equity for the project.

Last October the government said Chandra Asri was being postponed until after *1995,* although BBD's letter of credit had already been signed and purchase orders made. The decision was part of a government move to cap state finance for large projects *prompted by* Indonesia's growing international debt.

The project was first announced in March, 1991, and backers include the Bimantara Group run by *President* Suharto's second son, and Mr Prajogo Pangestu, a prominent Indonesian businessman.

Last April, the government gave the project the go-ahead on *condition* that *its cost* was reduced to $1.6bn from $2.25bn, and that it proceeded under full foreign ownership using offshore finance.

The government said the project's connection with the BBD had to end, and its credit viewed as bridging finance.

However, "the text of the (BBD) letter of credit has not been altered," said one banker. Instead, shareholders have undertaken to government to raise alternative finance if BBD's facility is called on.

This undertaking, however, "does not alter BBD's (legal) obligation to pay up," the banker stressed.

In mid-1991, Toyo Engineering placed purchase orders and some large items, including turbines, have been supplied. Toyo Engineering may soon have to call on BBD's letter of credit, say bankers, and would have to pay almost the full amount to suppliers if equipment cancellations are made.

"The question, of course, is whether the shareholders have any money" to fulfil their undertaking, said a banker.

The Bimantara Group had a turnover last year estimated at Rupiah 2,200bn ($1,075m) but industry officials say other projects in which it is a shareholder have been delayed by lack of finance.

If the shareholders fail to arrange alternative finance, BBD will be obliged to pay, or breach the loan's covenant.

The government plans to make state banks into limited liability companies, but bankers say failure to pay would be tantamount to breaking a sovereign guarantee.

Although the government has said it will not fund the Chandra Asri project, bankers say it will wish to protect Indonesia's reputation of meeting international obligations.

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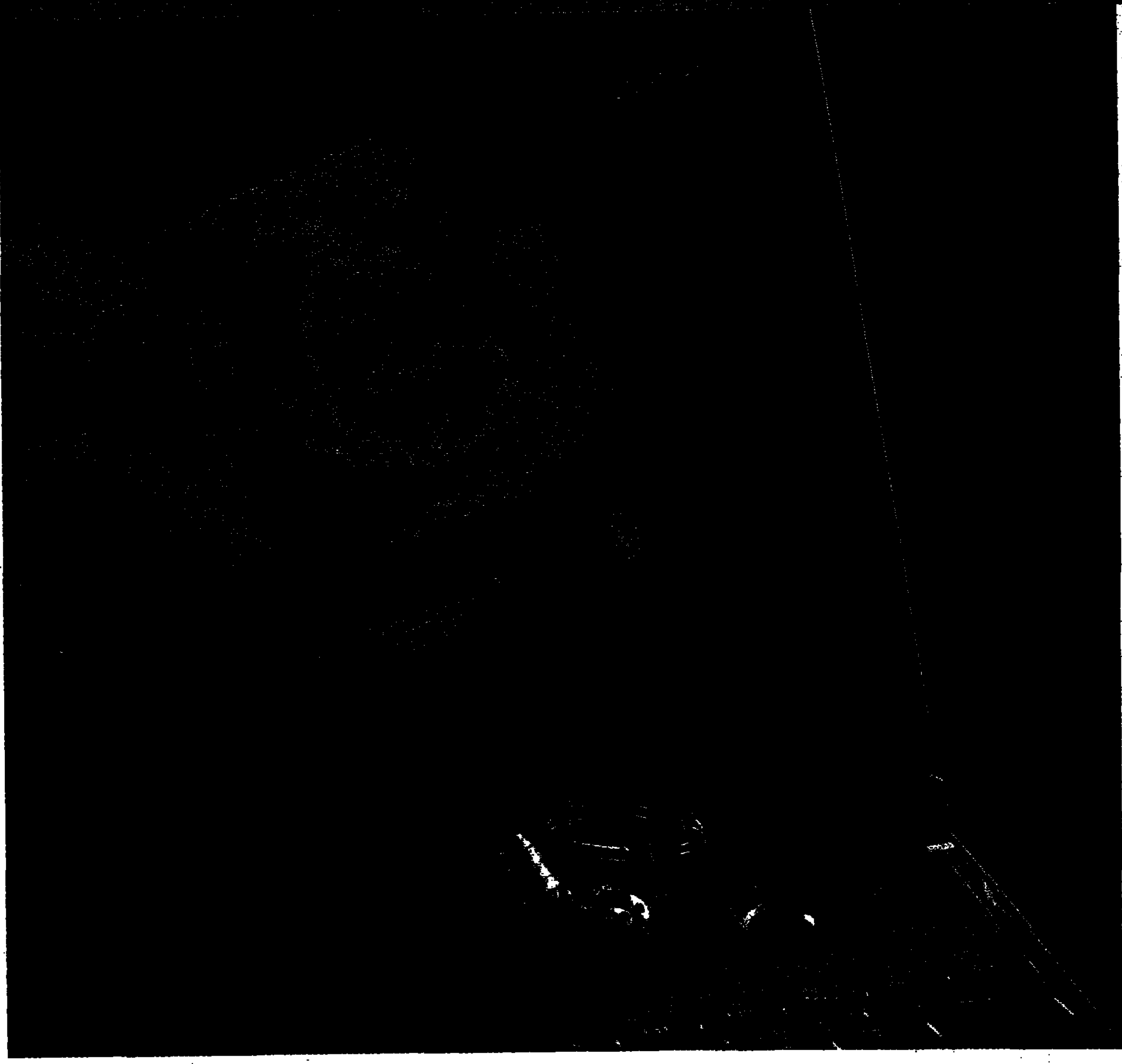

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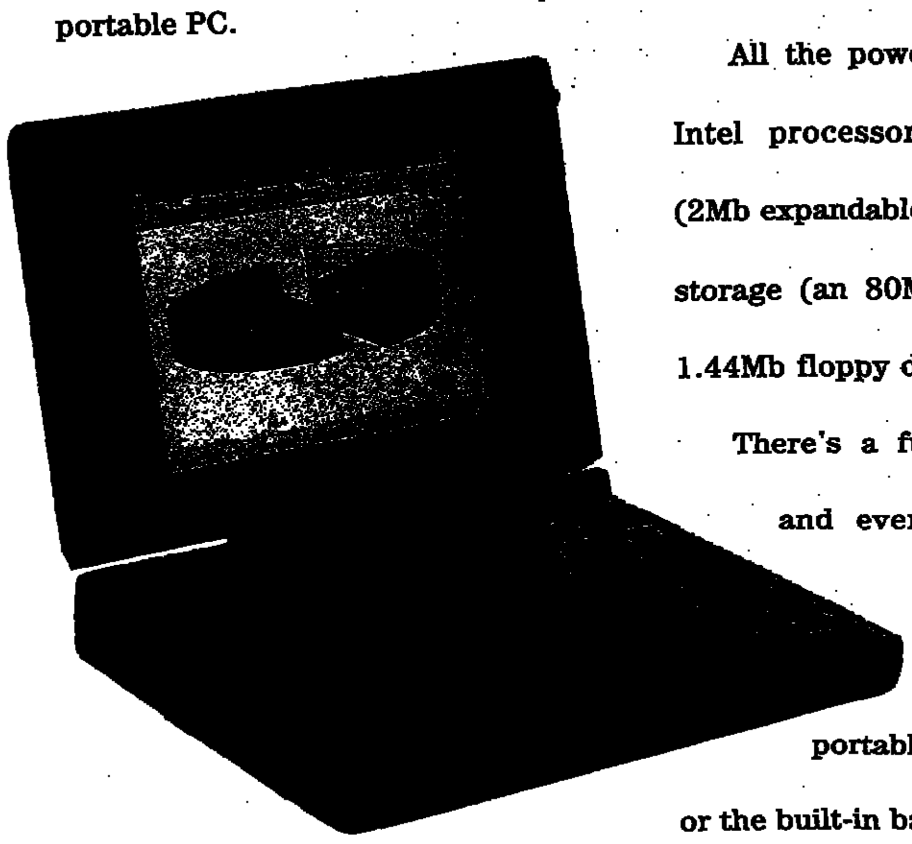

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NEWS: INTERNATIONAL

Civilian named as Thai premier

By Victor Mallet and Peter Ungphakorn in Bangkok

MR ANAND Panyarachun, a respected businessman and former diplomat, was re-appointed as prime minister of Thailand last night by a surprise edict from the *royal palace* which paves the way for new elections.

The appointment is likely to provide at least a temporary solution to the country's two-month political crisis, which culminated in the shooting of 49 pro-democracy demonstrators by troops last month and the resignation of Gen Suchinda Kraprayoon, the previous premier.

"I understand that my main duty will be to organise the elections," Mr Anand said last night. He said that he would *probably dissolve* the existing parliament in two or three weeks and that his government would last a total of about four months.

He said he would attempt to repair the damage done to the economy by the violence, although it would take time to restore the vulnerable tourism industry. "The economic fundamentals are still strong, so it will not take us very long to improve the local economy," Mr Anand said.

The proposed delay in the dissolution of parliament will allow time for military leaders to testify next week before a committee of MPs investigating the violence.

Yesterday parliament gave final approval to constitutional amendments demanded by the opposition and the demonstrators, including a provision that the premiership be restricted to elected members of parliament. *Mr Anand has not been* elected and the amendments will become law as soon as they are printed in the royal gazette.

Opposition politicians want to reduce permanently the influence of the military in politics, but they fear that new elections will not necessarily overturn the pro-military majority in *parliament. Vote-buying is common in* rural areas.

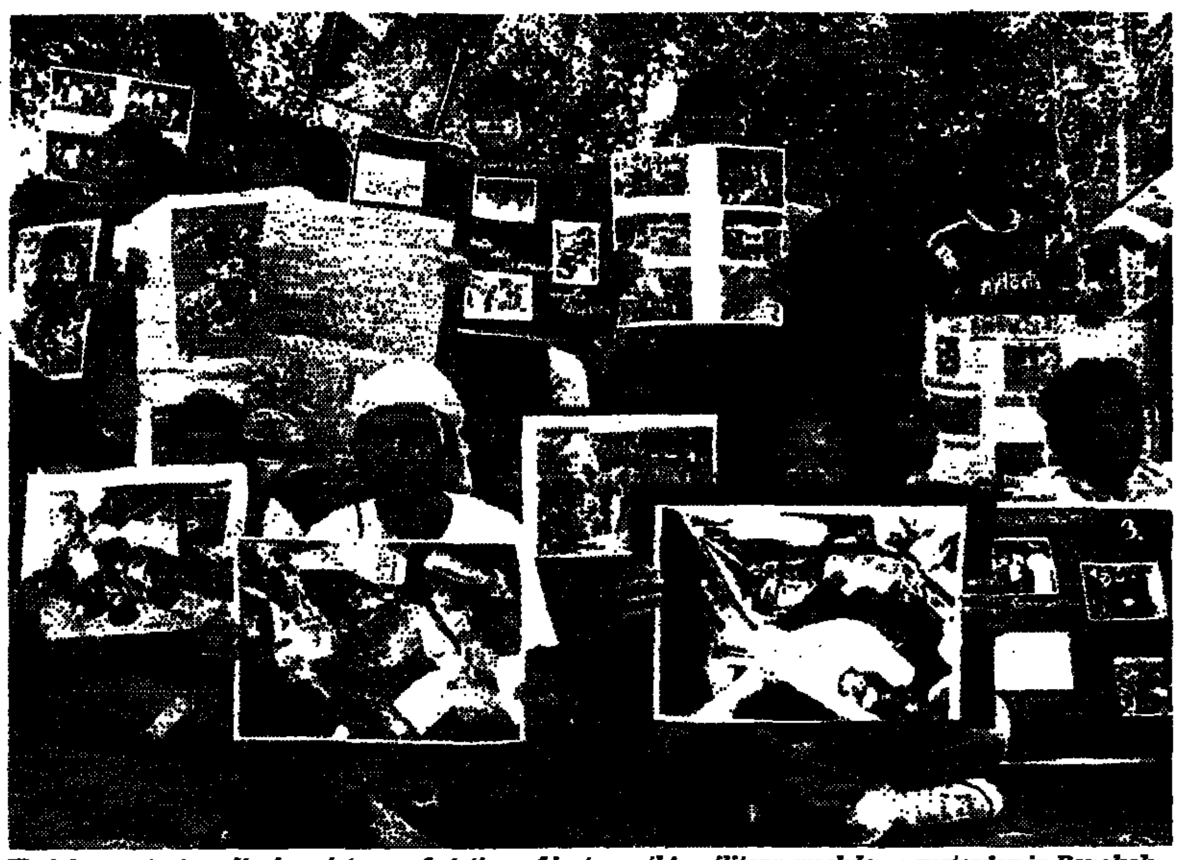
Mr Anand said Mr Arthit Urairat, the speaker of parliament, telephoned him at 5.30pm Bangkok time yesterday and asked him to be prime minister to break a political deadlock: the governing coalition of pro-military parties were backing a candidate unacceptable to the Thai people, while the opposition was supporting an acceptable candidate but did not have enough seats.

In a statement released later, Mr Arthit said Thailand was facing a crisis and the appointment of a poorly chosen prime minister "is a decision which could lead to violence and catastrophe". He said his solution would *return sovereignty to the people*. "I have carefully considered the situation," he said. "For all parties to compromise and for democracy to prosper I propose Anand Panyarachun." It was unclear whether the surprise appointment had been initiated by the speaker or the king.

Shortly before the announcement *Air Chief Marshal Somboon* Rahong, the controversial pro-military candidate whose appointment could have led to renewed demonstrations, told reporters that he would be the new prime minister.

A celebration party was even being prepared at his house. Air Chief Marshal Somboon, however, said after hearing of Mr Anand's appointment that he was relieved that a burden had been lifted from his shoulders. "I am really happy," he said.

Mr Anand won praise from foreign investors and local businessmen for economic reforms and a drive against corruption in his year-long tenure as prime minister between the military coup d'état of February 1991 and the elections in March this year.



Thai demonstrators display pictures of victims of last month's military crackdown yesterday in Bangkok

Khmer Rouge raise threat to UN peace plan

By Victor Mallet in Bangkok

KHMER Rouge guerrillas have told the United Nations they will refuse to co-operate fully with a UN *plan to bring democracy* to Cambodia, throwing the peace process into doubt three days before the country's various armies are due to start regrouping their forces and handing over their weapons.

"This constitutes a clear breach of the (October 1991) Paris agreement, and is therefore extremely unacceptable," Mr Yasushi Akashi, head of the UN Transitional Authority, *(Untac) said yesterday*.

The letter sent to Mr Akashi by the Khmer Rouge announcing its refusal to allow Untac forces into Khmer Rouge areas to monitor the cantonment was the culmination of weeks of obstructive tactics. The organisation murdered 1m Cambodians during its rule over the country between 1975 and the Vietnamese invasion of 1978.

Khmer Rouge leaders claim that they cannot co-operate fully with the UN until they are sure that there are no Vietnamese troops left in Cambodia.

UN officials and various governments have appealed to China and Thailand, the main *backers of the Khmer Rouge*, to persuade them to co-operate with the UN plan, which is supposed to lead to elections in less than a year.

Mr Akashi said the cantonment of forces would proceed as scheduled from June 13, although it would begin only in selected areas to avoid endangering the security of the other three factions. At least one of the factions said it could not regroup its forces unless *the Khmer Rouge did likewise*.

The Khmer Rouge letter comes at a critical time for the peace plan, but Mr Gareth Evans, the Australian foreign minister, described it yesterday as "brinksmanship" and "more in the nature of huff and puff than a very real threat to the process". It is not clear, however, what the UN can do to enforce Khmer Rouge compliance in the immediate future other than issue a stern statement through the Security Council.

HK airport a 'robust business'

By Simon Holberton in Hong Kong

THE Hong Kong government yesterday released figures showing that the colony's proposed airport will be a "very *robust business*" *from its* opening in 1997, as discussions with China over the financing of the project are elevated to prime ministerial level.

The airport's revenue is forecast to reach HK\$22.7bn (£1.6bn) by 2010 – enough to provide operating profits of HK\$10.4bn after recurrent capital expenditure and taxation, the government said.

Officials said the release of further financial information *coincided with a meeting* between Mr John Major, Britain's prime minister, and Li Peng, his Chinese counterpart, in Rio de Janeiro today.

Mr Major is expected to raise with Li China's procrastination about airport financing. Hong Kong officials hope the two premiers can achieve a breakthrough where diplomatic channels have failed.

Officials are concerned that China's failure to approve the *financing for the new airport* may cause its already tight construction schedule to slip.

Li told Lord Wilson, the colony's retiring governor, earlier this week in Beijing that China supported the new airport project and was keen to see it built on time. However, discussions with the Chinese about the financing of the airport and related projects are now in their third month.

A memorandum Britain and *China signed last September* specified talks should take only one month. Hong Kong officials need China's assent to the plans before they are put to the local legislature before it rises in late July.

Indonesian ruling party keeps power

By William Keeling in Jakarta

INDONESIA'S ruling Golkar party has retained power with a slightly reduced majority from Tuesday's parliamentary election, with provisional figures *indicating that its support* has fallen 6 per cent from the 1987 result.

Golkar has captured 67 per cent of the 91m votes counted so far, compared to the 73 per cent it won five years ago. About 107m people were eligible to vote and the turnout was expected to be more than 90 per cent.

The United Development Party (PPP), a loose coalition of Moslem groups, has taken *17.5 per cent of the vote, up* from the 16 per cent in 1987. The nationalist Indonesian Democratic Party (PDI) benefited most from reduced Golkar support, increasing its vote from 11 per cent to just over 15 per cent.

Golkar's clean victory in an election free of violence has been welcomed by Jakarta's financial community. One foreign broker noted that "the market was especially strong, a *clear sign of foreign investor* confidence".

With Golkar enjoying almost the total support of the country's 4m civil servants and much of the business community, the election was destined to be a one-sided contest.

Mr Rachmat Witoelar, secretary-general of Golkar, admitted: "There is a distinct advantage of having cadres who are well-off", although he *denied that* Golkar has spent Rp90bn (£24m) on the campaign.

Golkar won in all of Indonesia's 27 provinces, including the disputed territory of East Timor.

New Japanese store ponders vanishing customers

By Emiko Terazono in Tokyo

EIGHT HUNDRED employees and only 100 customers yesterday attended the grand opening of Japan's largest department store.

Conceived at the height of the 1980s economic boom, the Tobu company's Y100bn (£429m) steel and glass palace opened its doors amid the steepest fall in consumer spending since the 1960s.

Cheer leaders and a brass band were on hand as white-gloved Tobu directors, led by the company president, simultaneously cut the red-and-white tape.

April department store sales fell 2 per cent from a year ago, after a 4.1 per cent drop in March, the worst fall since 1965. Some economists predict no upturn in consumer spending until spring next year.

Moreover, department stores, already hit by a sharp fall in sales of luxury items, are finding customers are switching from high-margin goods with famous labels to non-branded products which offer retailers smaller profits.

Tobu certainly expected to see more customers on the first day – 90 policemen and 95 security guards were on duty during the ceremony yesterday morning. A man in his early twenties, at the head of the queue at the main entrance, said he had arrived two hours before the 9 am ceremony to be in front of the crowds. In the event, he need hardly have bothered.

Tobu expects to cover investment costs of the new store in five years. For the year to next June, it expects sales of the new Ikebukuro store to total Y180bn. However, most customers browsing through the store yesterday failed to contribute to revenues. A middle-aged woman who walked around the store finally left with a bag of croissants.

PNG warns on mining interference

By Kevin Brown in Sydney

PAPUA New Guinea (PNG) yesterday warned foreign governments and environmental organisations to stay out of a *controversy over the impact of* mining on its river systems and coastal waters.

The warning followed revelations that Mr Paul Keating, the Australian Prime Minister, delivered a letter during an official visit in April which criticised environmental standards at the Ok Tedi copper and gold mine.

The mine has been strongly criticised by local politicians in PNG's remote western province, *close to the border with* Indonesian Irian Jaya. The provincial government has threatened to close the mine, but has not yet carried out its threat.

Ok Tedi Mining (OTML), the company which operates the mine, claims any environmental damage which has occurred is outweighed by the economic benefit to PNG of substantial gold and copper production.

OTML is owned by BHP, (30 per cent), the PNG government (20 per cent) and a group of smaller shareholders. The mine is operated under an environmental agreement *between OTML and the central* government.

Libyan press assails Gadaffi over Arab ties

Tony Walker reports from Cairo on a new twist in Libyan policy

LIBYA'S official press has launched unprecedented criticism of Colonel Muammer Gadaffi's relations with fellow Arabs, and in an extraordinary twist has called for better relations with the US.

For the first time since he came to power in a 1969 bloodless coup, the idiosyncratic Col Gadaffi has been upbraided in the official Al Jamhariya or "State of the Masses" newspaper – mouthpiece of the regime.

"We say to you, you are free, go alone to your Arabism and your Islamic links. As for us, we have America. It is much better for us to co-operate with America than with all the Arabs because we have realised that our own interests are above all else," the Libyan news agency, JANA, quoted the paper as saying.

Libya-watchers believe that the criticism may have been orchestrated to provide Col Gadaffi with room for manoeuvre on the eve of a meeting this weekend of Libya's General People's Congress, or parliament.

Col Gadaffi has said repeatedly that it would be up to the parliament to decide whether to yield to either the US or Britain two Libyans accused of the 1988 bombing of an American airliner over Lockerbie in Scotland in which 271 people perished.

Calls for the Libyan leader to distance himself from his brother Arabs may also reflect intense disappointment at the decision of Arab regimes to fall into line with United Nations sanctions.

In April, following Libya's refusal to hand over the two men accused of the Lockerbie bombing, the UN Security Council implemented a sanctions package which included a suspension of air links and a thinning of Libyan diplomatic personnel abroad. The Arabs complied with the air embargo.

Col Gadaffi, who expressed great admiration for the late Egyptian leader Gamal Abdel Nasser, has put Arab unity at the centre of his ideology, and has frequently proposed union with surrounding countries.

It is unclear whether the Al Jamhariya commentary might herald a change in policy, but its criticism of the Arabs was unambiguous. It charged them with having shunned Libya and laughing at it while taking part in a "murder by instalments" through UN sanctions.

"We ask you what benefit did we get from our Arabism with the Arabs asking you to hand over our sons to the enemy and to obey Western demands and decisions," the paper said.

"... We ask you why do Arab workers benefit from Libyan oil... the Libyan oil should go to American workers if they benefit us or if we benefit from them... this is better than Arabism and Islam."

Libya is also being pressed to co-operate in investigations into the 1989 downing of a French UTA flight on its way from Brazzaville to Paris, in which all 171 passengers and crew were killed. France wants to question four Libyans in connection with the UTA bombing, including Col Gadaffi's brother-in-law.

JANA also reported on Tuesday that it had been taken over by "revolutionary forces", and that the agency's director had been dismissed. A commentary accused the previous management of purveying disinformation and attempting to "ridicule the people in the guise of slogans on Arabism and Islam."

"Henceforth JANA will be managed by the conscious revolutionary forces which know their interests and those of the Libyans," the JANA statement said.

Afghan children wait in line for food by the gate of one of Afghanistan's mujahideen headquarters in Kabul yesterday. The recently formed Islamic government has appealed to the international community for immediate relief to counter severe food shortages throughout the country.

Algeria frees Moslem activists

ALGERIA has freed 2,000 suspected Moslem activists from detention centres in the Sahara desert to mark the feast of Eid al-Adha, officials said yesterday, Reuter reports from Algiers.

About 1,200 people have been freed since March 21, out of the 7,448 detained under a state of emergency declared on February 9, official figures show. The official news agency APS said there would be further releases.

Suspected Moslem activists were rounded up after riots which were blamed on the Islamic Salvation Front (FIS), which was poised to take power in a general election cancelled in January and has since been banned by court order.

Human rights groups have demanded the closure of the desert detention centres.

Meanwhile, Mr Mohammed Boudiaf, the head of state, has appealed to Algerians to join his Patriotic Rally – a new movement which excludes Moslem radical groups and which the authorities hope will undermine their grassroots support.

Mr Boudiaf dismissed calls from two leading political parties, the Socialist Forces Front and National Liberation Front, to replace the government with one of national unity.

Israel's politicians seek out the immigrant vote

Hugh Carnegy in Beersheva looks at how the candidates in the coming general election are targeting this southern staging post for newcomers

ISRAELI politicians campaigning for the general election on June 23 have taken to stopping in a gigantic caravan park which sprang up a year ago just outside the southern city of Beersheva, on the edge of the Negev desert.

More than 1,000 mobile homes stand in the sand at Nahal Beqa, forming a huge staging post for some of the 400,000 immigrants who have arrived in Israel over the past three years.

Since it opened last August, Nahal Beqa has become home to some 5,000 newcomers from the Soviet Union and about one thousand "black Jews" from Ethiopia – interspersed by a few hundred Israeli university students strategically placed to forestall any clashes between people from such diverse cultures.

What new citizens of Nehal Beqa – many of whom have a vote – want to hear from politicians is what they will do to create employment that will get them out of their immigrant ghetto into permanent housing and launched on the new lives they are seeking in Israel. "Jobs – that is the most important thing to them," says Mr Adi Habad, site manager.

The impact of immigration has sharpened the issue of the economy in a country where election campaigns tend to be dominated by the big political issues of the Arab-Israeli conflict. With unemployment at record levels and little sign of improvement, the opposition Labour Party has put economic policy high on its list of attacks on the record of the ruling Likud party.

This is not just to attract votes among the immigrants themselves, among whom unemployment is running at 40 per cent. Many of Likud's core voters in lower-income "Sephardi," or oriental Jewish, communities have also been feeling the pinch.

Beersheva is a prime example. Some 20,000 immigrants have boosted the population from 113,000 to 135,000 in less than three years. Some 25 per cent of the veteran population are of Moroccan extraction, many living in poor neighbourhoods. Increased public services and construction activity have added to employment, but Beersheva has been hampered by industrial stagnation and cuts in big local companies such as Makhteshim Chemicals, an offshoot of the trade union-owned Koor Industries.

In the 1988 election, Likud took 43 per cent of the vote in Beersheva to Labour's 28 per cent. Local Labour campaigners, who are stressing economic themes, are aiming for 35 per cent this time, a figure they say would imply a Labour victory nationwide.

How bad is the state of the economy? Some indicators look pretty healthy. Growth last year was about 6 per cent. Employment grew. So did investment and business profitability and productivity. But these mask an underlying picture in which fast population growth has meant negligible per capita growth. According to the Bank of Israel, half of 1991 growth was due to a construction boom which is now over.

"In other industries there are as yet no signs that sustainable growth is about to set in," the bank said. Exports shrank last year, an ominous development for a sector supposed to be the engine of long-term growth. Workforce growth outpaced job creation, leaving unemployment now at a record 11.6 per cent. Inflation hovers above 15 per cent. In early 1992, the bank detected a decline in investment and economic activity.

Above all, it said, the government did "too little and too hesitantly" to invest heavily in infrastructure cut heavy taxes and government spending and institute reforms such as privatisation of the big state-owned industrial sector and the banks – which in turn are big industrial owners in Israel.

Labour – having shed its ideological commitment to socialism – now calls for all these prescriptions to be implemented. It says there must be a "re-ordering of priorities" – stressing that the hundreds of millions of dollars spent by the Likud on Jewish settlements in the occupied territories could be redirected to investment in places such as Beersheva.

But the Likud, still proclaiming itself the party of liberal economics despite its poor record, has a point when it calls into question Labour's new-found market message. Mr Shalom Peri, Labour's campaign manager in Beersheva, makes no bones about what he is promising to voters who have lost their jobs in recent years. "People know the government must come with public investment. The Negev area will never develop through the free economy."

Many Russian immigrants are justifiably cynical about both parties, regarding them as captives of the system and their own vested interests.

They see Likud as being obsessed with the occupied territories and Labour still tied to the powerful Histadrut trade union federation which has resisted economic reform.

"It is absolutely chaotic. There is no serious progress to absorb the immigrants," says Mr Vladimir Gontar, formerly a laser technology expert in the Soviet Union now working at Beersheva's Ben Gurion University of the Negev. "Not the Likud, nor Labour has a serious programme for a new society based on the new brains which have come here, and that is perhaps the feeling of all the Russians."

Meanwhile, in a severe embarrassment to the government, the message has got back to Jews still living in the former Soviet territories, many of whom have judged that economic prospects in Israel are no better than at home. Russian immigration has slumped from 20,000 a month at the peak to less than 4,000 in May.

NatWest seeks ruling on Maxwell shares

By Robert Rice, Legal Correspondent

NATIONAL Westminster Bank yesterday asked the High Court to settle the dispute over the ownership of shares in Teva, an Israeli pharmaceutical company.

The shares are held by the bank as security and are claimed both by the Maxwell pension funds and by the administrator of Robert Maxwell Group, one of the Maxwell private companies.

NatWest said that if the court decided that beneficial ownership of the shares never passed from the funds managed by Bishopsgate Investment Management to RMG then it was prepared to relinquish the security and return the shares to the pension funds.

If, however, the court rules that title in the shares passed from BIM and the common investment fund to RMG before being mortgaged to the bank in return for a loan, then it would not return them, because it was a "bona fide purchaser for value without notice".

The 25m Teva shares, with a value of just under £20m, were mortgaged to NatWest as security for a new loan of $27.3m on November 7 last year following an urgent request from the Maxwells for new moneys to meet interest payments due on the MMC "jumbo facility" which had been used to fund the purchase of Macmillan.

Cleared to go: two private jets formerly owned by Robert Maxwell have been advertised for sale at a combined price of almost $27m.

The Gulfstream IV and Gulfstream II are owned by VIP Aviation (Bermuda), part of Headington Investments, Mr Maxwell's main private holding company. They are being kept at a secret location to avoid the attentions of aggrieved Maxwell creditors.

The Gulfstream IV, with an asking price of $21.9m, is lavishly fitted out and is powered by the latest Rolls-Royce engines. The Gulfstream II, with a price tag of $4.9m, is a 15-year-old aircraft and Mr Maxwell was its fourth owner.

The bank said the mortgage was taken in good faith after receiving written assurances that they were beneficially owned by RMG.

NatWest asked questions at the time before accepting the mortgage because the share certificates were in the name of BIM.

The bank then took a mortgage in the same form from BIM as a guarantee for the RMG mortgage.

NatWest said yesterday it was only on December 5 when the Maxwell private companies went into administration that they were notified by the pension fund managers that the Teva shares might be trust assets.

NatWest said it had decided to ask the court to determine the issue because the administrators of RMG had indicated that the shares should not be voluntarily surrendered to the detriment of other creditors of RMG.

The court will also be asked to rule on the management and realisation of the Teva shares pending determination of the ownership issue.

Mr John Melbourn, a director of NatWest, said the bank was going out of its way to accelerate the legal process.

He also said that NatWest will hold talks with the Department of Social Security on establishing a compensation scheme to help Maxwell pensioners.

Mr Melbourn believes that many City institutions would be prepared to contribute to such a scheme.

Labour tries to disguise party split on Europe

By Ivo Dawney, Political Correspondent

BRITAIN'S opposition Labour party yesterday disguised its internal divisions over the Maastricht treaty by keeping open its options if the government tries to press ahead with ratification.

After a heated debate at the weekly meeting of the parliamentary party, MPs voted overwhelmingly to delay action on three diverging proposals on strategy, allowing the shadow cabinet to prepare a new position for presentation next week.

While the vote risked Conservative charges that Labour is as undecided as the government on how to react to the Danish referendum result, it served to maintain an appearance of party unity.

The compromise was widely seen as a short-term tactical victory for the party leadership, which had initially responded to a demand from Mr Tony Benn for a British referendum by tabling an ambiguous amendment

Its wording, drawn up by Mr Gerald Kaufman, foreign affairs spokesman, argued that while the Maastricht text fell far short of Labour's official European Community policy on a number of issues.

Rather than indicating a clear strategy, the shadow cabinet's line merely insisted that it would be "improper" for parliament to continue the ratification process until the Community had decided a clear way forward.

In consequence, the leadership's amendment fell a long way short of an alternative amendment tabled by Mr Peter Hain. His proposal, reportedly attracting growing support from many quarters in the party, criticised the Maastricht accord for its narrowly monetarist criteria for economic and monetary union and called for outright Labour opposition to ratification.

In Strasbourg this week, Mr John Smith, all but certain to be the next Labour leader, appeared to be giving some ground to the position of his rival by stressing the need for more democratic accountability in the EC.

While repeating his own firm support for Labour's qualified backing for the Maastricht accord, he also made clear that it should pursue with its sister socialist parties an economic strategy "based on sustainable growth and the highest possible levels of employment."

CORPORATE GOVERNANCE

Tighter rules planned for directors

By Norma Cohen, Investments Correspondent

NON-EXECUTIVE directors will no longer be able to serve on more than one board because of their obligations under new proposals on corporate governance, Sir Adrian Cadbury said yesterday.

"The days of the multiple director are over," said Sir Adrian, chairman of the corporate governance committee which last week proposed that non-executives be given greater responsibilities. As a result, he said, a presence on more than one board will cause strains on time and efficiency.

Sir Adrian, speaking at a Confederation of British Industry conference on corporate governance, said his committee's proposals meant that far more individuals would have to serve as non-executives than at present. "The current network system [of selecting non-executives] draws on the narrow pool. That must be changed and we must look to non-traditional sources for non-executives," he said.

The Cadbury Committee on Financial Aspects of Corporate Governance recommended a voluntary code of practice for boards of directors, accountants and auditors.

Among its key recommendations are that audit committees be composed exclusively of non-executives; non-executives have no financial, commercial or personal interest in the company; and they be allowed to solicit independent advice on board decisions.

The committee, initiated by the accountancy profession and the Stock Exchange, is backed by the Department of Trade and Industry and the Bank of England. It included representatives of industry, accountancy groups, shareholders and government.

Separately, the government signalled yesterday that if the voluntary code urged by the Cadbury committee appeared to be having little effect, it would reluctantly consider regulations instead. Mr Neil Hamilton, corporate affairs minister said at the CBI conference he believed the Cadbury committee was right to support a voluntary code.

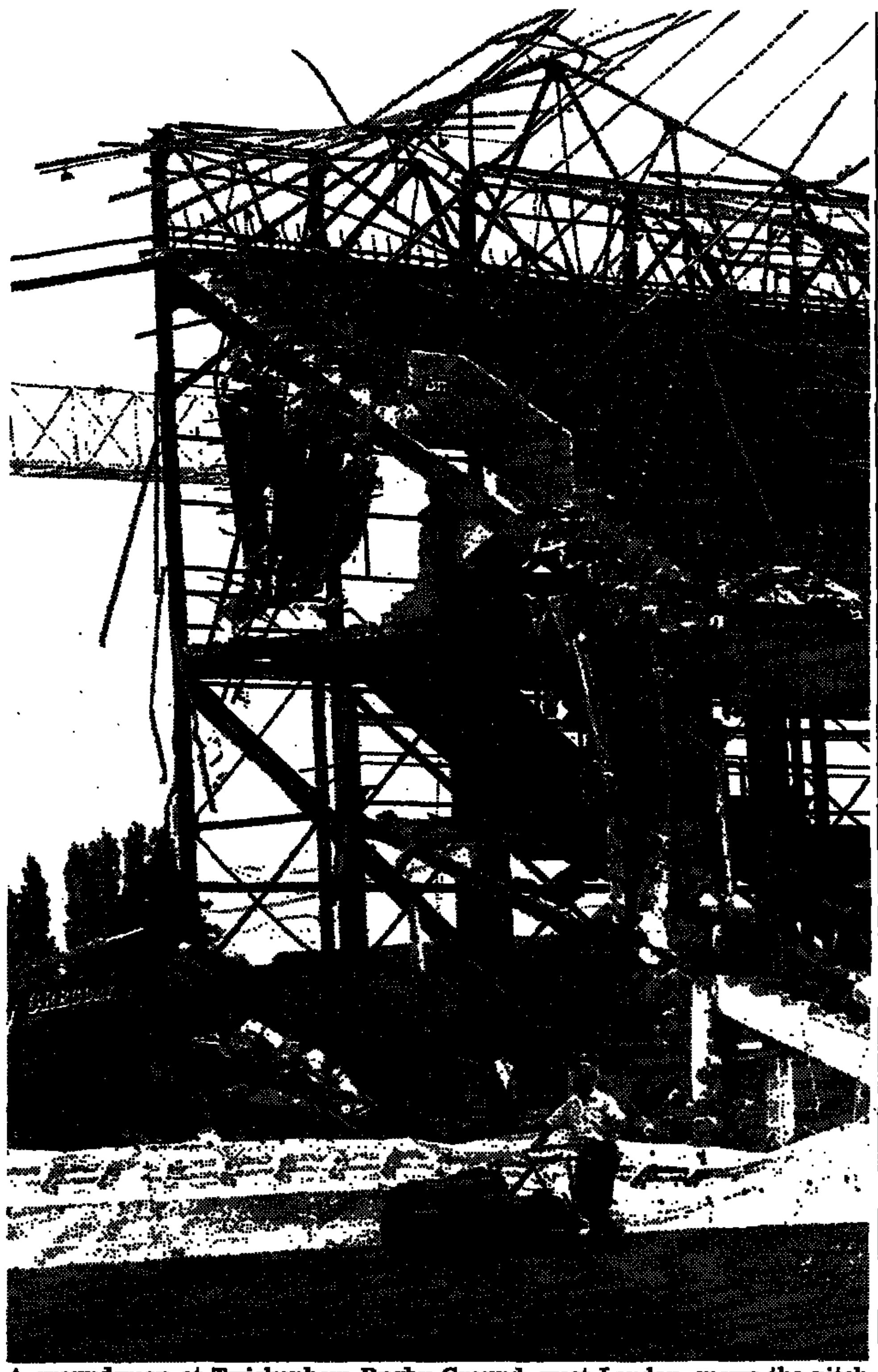
"If a sufficiently strong case for further action were to emerge, taking into account the wiser issues which the Department [of Trade and Industry] has to consider, the government would not be true to its past record if it did not take action," he said.

He believed it unlikely, however, that companies and auditors would fail to act voluntarily on the proposals.

Private concerns about the recommendations of the Cadbury report – widely hailed by government and industry when it was published – also emerged at yesterday's conference.

Delegates heard that a survey of fund managers and auditors by Burson-Marsteller, the public relations company, found that a majority of both groups felt the recommendations did not go far enough.

The survey said most of the 22 leading fund managers and auditors interviewed had felt that members of the committee had been unwilling to produce a report which upset corporate directors. One fund manager was quoted as saying "There are some things they were not able to come out about as they would have liked."



A groundsman at Twickenham Rugby Ground, west London, mows the pitch against a backdrop of the east stand which is being demolished to make way for a £20m replacement that should be ready for the England-South Africa match on November 14 *Photograph by Tony Andrews*

Penalties urged to curb industrial pollution

By Neil Buckley

A TOUGHER system of penalties for industries which cause water pollution was proposed yesterday to help reverse a 10-year decline in river quality in England and Wales.

The proposals by the Royal Commission on Environmental Pollution are contained in a new report which claims that improvements in river water quality between 1958 and 1980 were followed by a decade of deterioration.

It suggested that polluters – such as sewage treatment plants and industrial polluters – be charged according to the volume and polluting characteristics of all discharges, with the income used for pollution prevention measures and research, and grants for investment in pollution abatement.

Under existing schemes operated by the National Rivers Authority (NRA), polluters pay the cost of monitoring to ensure they meet agreed discharge levels, and penalties for breaching them.

The commission's proposed charges would initially be set to raise similar amounts to the NRA scheme – around £25m annually – but would be progressively increased.

Lord Lewis of Newnham, the commission chairman, called for less reliance to be placed on the ability of rivers to assimilate waste. Instead, technology should be improved and public attitudes changed so that discharges of effluents into rivers could be progressively lowered.

Among the report's 108 recommendations were a change in the way river quality is monitored, focusing on the presence of plants and animals and a wide range of pollutants, instead of just three chemicals as at present. Moves to cut phosphate discharges and acid rain were also urged.

Friends of the Earth, the environmental campaign group, said the report was a "litany of government neglect and mismanagement of Britain's lakes and rivers." It "revisited problems that should have been tackled years ago."

Other findings of the report include:

- Rivers, lakes and reservoirs in most of central and southern England suffer from high levels of phosphate, causing eutrophication, or excessive growth of surface plants and algae.
- Acid rain is making rivers in some parts of Scotland, Northern England and Wales so acidic they are almost completely devoid of fish.
- One in eight sewage works in 1990 were still not operating within their discharge consents.
- There is no national monitoring programme for groundwaters, which are often "extensively" polluted by industrial solvents.
- Pesticide pollution remains a problem, which is sometimes reflected in drinking water. In London, a six-month survey in 1989-1990 of drinking water found two-thirds of samples contained pesticides above EC limits.

Helicopter bids attract referral

TWO of the bids to take over British International Helicopters Ltd (BIHL), Mr Robert Maxwell's helicopter company now in administration, were yesterday referred to the Monopolies and Mergers Commission, writes Daniel Green.

Arthur Andersen, administrators of Maxwell's private companies, said the decision would "add to the uncertainty surrounding BIHL's future," and would "have an adverse impact on the company's creditors." The MMC has until September 9 to make its ruling.

Aberdeen-based BIHL went into administration in December 1991. It employs 500 people and is mainly involved in ferrying passengers and cargo to offshore oil platforms.

The referred bids, by Bond Helicopters and Bristow Helicopters – both UK companies – would, if successful, reduce from three to two the number of competitors in the £200m a year North Sea helicopter services business. The value of the bids was not available.

Bank pulls out of MGN refinancing

By Raymond Snoddy

SENIOR executives of Mirror Group Newspapers (MGN) – part of the former Maxwell empire – have been told that the Bank of Scotland has decided not to go ahead with providing a £30m slice of a refinancing package.

The news has caused outrage among staff at the Glasgow-based Scottish Daily Record and Sunday Mail because the Bank of Scotland has been the group's bankers for nearly a century.

The Bank of Scotland is one of a consortium of banks negotiating a medium term financial package to provide MGN with greater stability while decisions over its ultimate ownership and future are taken. The package involves, it is believed, a facility of £250m for two years.

The package is particularly important for the Scottish Daily Record because new colour presses are already being stored in Glasgow but the company does not have the money to install them.

MGN have been told the reason for the Bank of Scotland's decision was "financial prudence."

The Bank of Scotland would only say last night: "The bank has not withdrawn from the consortium nor has it reduced the limits [of the Scottish Daily Record]."

National Westminster Bank, the senior consortium bank has been reallocating the £30m among the other member banks and it is believed that most of it has been placed.

The refinancing of MGN is not thought to have been jeopardised as a result. The company is expected to go ahead with the publication of its accounts later this month to be followed soon after by a re-listing of its shares .

Earlier this week the Department of Trade and Industry appointed inspectors to investigate the circumstances surrounding last year's MGN flotation.

Britain in brief

Historians attack secrecy over Hess

British historians have criticised the government for withholding documents relating to the abortive Second World War peace mission of Rudolf Hess, Hitler's deputy, following the publication yesterday of government records.

The records show Hess addressed an apparent suicide note to his family in Germany a month after he crash landed in Scotland in May 1941. The letter, together with a similar message to Adolf Hitler, was written in June 1941 while Hess was being interrogated by UK government and intelligence officials.

The documents confirm Hess's near-derangement following the failure of his ill-starred attempt to persuade the British authorities to make peace with Hitler.

Mr John Costello, a former television producer who has pioneered research into Hess's story using Soviet and US archives, complained that the government was still withholding sensitive material about the peace mission.

Another historian, Mr Peter Padfield, said: "What is interesting is what is not there." He said he was "quite convinced" that details of the M16 plot against Hess were contained in intelligence files separate from the UK Foreign Office files now being opened up to the public.

Unions to vote on pay dispute

Unions at Smiths Crisps are balloting on industrial action following the company's decision to abandon national bargaining, and all national union agreements, in favour of plant-level pay and agreements.

Mr Brian Revell, an official of the TGWU general union, said the decision reflected the "anti-union instincts" of Pepsico Food International, the US food group which bought Smiths three years ago.

Accountancy firms merge

Stoy Hayward, the UK's 11th largest accountancy firm by fee income, is to merge with Finnie, the 20th largest firm and auditors to the Body Shop.

The new firm – to be called Stoy Hayward – will have 176 partners and directors, 1,300 professional staff and an annual fee income of more than £82m, making it the 10th largest firm under current rankings.

Mr Adrian Martin, managing partner at Stoy Hayward, stressed that the merger was agreed for strategic reasons and did not reflect any financial weaknesses in either firm.

Court winds up Batace

Batace, a company controlled by Mr Ghaith Pharaon, a Saudi businessman named by the US Federal Reserve as a frontman for the collapsed Bank of Credit and Commerce International in the purchase of stakes in US banks, has been compulsorily wound-up by the High Court. The winding-up order was made on a petition presented by the liquidators of BCCI claiming to be creditors of Batace for £7,168,206.

NHS failures criticised

Complaints to the health service ombudsman reveal a "catalogue of service failures", according to a report published today by Mr William Reid, the Health Service Commissioner.

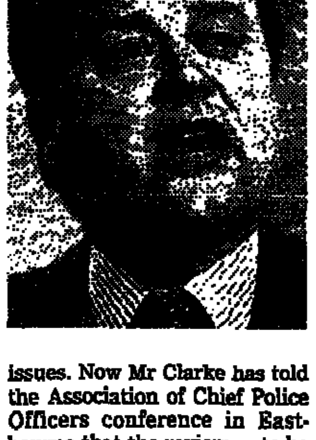
The ombudsman says that "lapses in procedure, inattention to patients' welfare and delays in giving appointments" cause avoidable distress to patients. The report outlines recent cases investigated by the ombudsman to help health authorities avoid such failures.

Mr Reid warns that budget constraints should not be used to justify unacceptable reductions in the quality of service.

Police service to be examined

The government's examination of Britain's police service is to be extended to include financial and structural issues.

Three weeks ago Mr Kenneth Clarke, home secretary announced a review of police career structure and pay



issues. Now Mr Clarke has told the Association of Chief Police Officers conference in Eastbourne that the review – to be completed by next May – would go "beyond narrow adjustments to existing structure and pay arrangements" and examine officers responsibilities, careers and performance.

Rover output falls sharply

Rover car output fell heavily in the first quarter of 1992, but the decline was largely compensated by higher production by Nissan as well as by small gains by Vauxhall and Ford.

Overall UK car output in the first three months of the year fell by 0.8 per cent to 343,318 from 346,163 in the corresponding period a year ago according to figures from the Society of Motor Manufacturers and Traders.

Rover car production fell by 14.4 per cent to 94,937, while output of the Land Rover division's Range Rover and Discovery vehicles declined by 19.2 per cent to 9,346.

In the first three months it slipped into fourth place in the UK new car sales league after being overtaken by the Peugeot group of France.

Warning on shoe industry

UK footwear companies have been warned that the survival of the industry in Britain its present form is dependant on a continuing growth in exports.

Exports, measured in pairs, rose by 11 per cent, and, measured in value, rose by 15 per cent last year, according to the British Footwear Manufacturers Federation. "Such a strategy is nothing less than essential if the industry is to remain at even its reduced size," said the federation's annual report.

Students take state loans

Almost a third of students received a government loan last year to finance part of their living costs. Figures for the first year of the student loans scheme, published yesterday, show that 180,000 students received a loan, at an average value of £388. Total loan payments were £69.9m.

Geldof wins TV contract

The contract for Channel 4's breakfast television service has been awarded to Planet 24 of which Mr Bob Geldof, the philanthropist and former rock star, is a director, in a £10m 15-month deal. The programme will begin in September.

Race commission warns of increase in extremism

By Alan Pike, Social Affairs Correspondent

BRITAIN'S Commission for Racial Equality (CRE) yesterday criticised the rise of right-wing extremists in Europe and the US amid warnings of a "much more threatening climate" for race relations.

Mr Michael Day, chairman of Britain's Commission for Racial Equality (CRE), said: "The emergence of neo-fascists in parts of continental Europe, the racist posturing of some presidential aspirants in the United States and the horrific events in Yugoslavia alert us to the powerful forces which generate racial conflict."

Presenting the CRE's annual report, Mr Day said Britain's ethnic minority community could never feel totally secure when it witnessed racial oppression on racial elsewhere.

Solicitors' firms in England and Wales are to be asked by the Law Society to adopt targets for the number of ethnic minority lawyers they employ.

Large firms with more than 50 fee earners – lawyers and legal executives – are to be asked to take 10 per cent of their trainees and five per cent of their other fee earners from ethnic minorities. Although the targets are not mandatory, the society plans to enforce them by issuing licenses to all firms wishing to take trainees on the condition that they comply with equal opportunity targets.

Racial minorities in Britain saw how the stance of more liberal politicians was adjusted to "take account of the pressures from a Le Pen [leader of the French national front]."

Progress towards equality of opportunity for all in Britain was "too slow and too grudging," but the way in which institutions like the police, the churches, the law, health, education and housing were prepared to review practices and introduce fairer procedures was encouraging. There was general support for outlawing the most blatant and offensive expressions of racism, but objections were raised "the nearer we get to challenging the vested interests of those in privileged positions."

The commission was, said Mr Day, disappointed that an opportunity had been missed to use the Citizen's Charter to give an explicit lead on ethnic monitoring. He also expressed concern about the level of the commission's budget, saying it is "particularly galling that our resources continue to be so limited."

BAe likely to cut jobs at missile plant

By David White, Defence Correspondent

BRITISH AEROSPACE (BAe) is expected today to announce a further 700 redundancies in its Dynamics missile division.

Most of the redundancies – about 450 jobs – will be at Stevenage, Hertfordshire. The news comes only a week after BAe announced 640 job losses at its space systems facility.

The expected measure will bring to almost 6,000 the number of job reductions announced by leading UK defence contractors since the start of the year.

It is likely to meet hostile reaction from trade unions after hopes for the Dynamics division's future were boosted by the award in March of a £570m Ministry of Defence contract for new air-to-air missiles.

Earlier, the division had already announced that it was cutting 450 jobs, bringing its total workforce down to about 6,000. The reductions, largely among engineering employees, are part of a continuing effort by BAe to reduce its costs in an increasingly competitive guided-weapons business.

BAe warned earlier this year that 10,000 jobs would be shed in the group over two years after preliminary 1991 results showing a pre-tax loss of £81m.

Mr Tim Webb, national officer of the Manufacturing Science and Finance union, said the cuts would be "yet another blow to the reputation of British Aerospace as Britain's leading manufacturer."

Meanwhile, unions representing MoD civilian personnel yesterday pressed Mr Malcom Rifkind, defence secretary, for a share of defence budget savings to be paid to staff affected by government cutbacks.

New recipes for cleanliness

The food industry is discovering ways to ensure its equipment stays spick and span, writes Andrew Baxter

Take a beer from your fridge on a sticky day this summer and the chances are that condensation will quickly form on the bottle. It is an effect that may be harmless in the home but causes serious problems for the brewers.

At the Stella Artois brewery in Leuven, the Belgian equivalent of Burton-on-Trent, they know all about condensation. Stella's light beers have to be stored at low temperatures for several weeks before bottling, and condensation quickly forms on storage vessels, pipework and cold wall surfaces when ambient air – particularly on humid summer days – infiltrates the buildings.

Condensation, combined with high humidity, provides ideal conditions for mould and bacteria to grow, and frequent cleaning simply introduces more water that exacerbates the problem. In 1978 Stella sought a solution through installing dehumidifiers, but these weren't up to the job, and also used a process that caused corrosion.

Now the Belgian brewer believes it has the problem licked with powerful dehumidifiers that recirculate the air after passing it through a desiccant rotor. The equipment, made by Swedish-owned Munters, removes excess moisture from the air and prevents condensation.

"There are several similar situations in the UK, but also a need to make companies aware of the possible solutions," says Tim O'Brien, UK managing director of Munters. "Across the whole of the food industry, they are only just starting to pick this up."

Hygiene is a sensitive issue in the food and drink industry. Few producers want to talk about a persistent problem or potential hazard until it is ironed out. Perfection is not attainable, as recent Salmonella and Listeria incidents have shown, but technology is making further improvements possible.

Health scares have forced food producers and their suppliers, whether of equipment or raw materials, to accept – sometimes reluctantly – that hygiene is higher up the public agenda for food than it has been in the industry's own priorities, where over the past 20 years issues such as productivity and efficiency have held sway.

For food and drink equipment suppliers, this creates both an opportunity to develop new techniques where solving a hygiene problem is the major issue, but also a challenge to redesign equipment that, in hygiene terms, is now past its sell-by date.

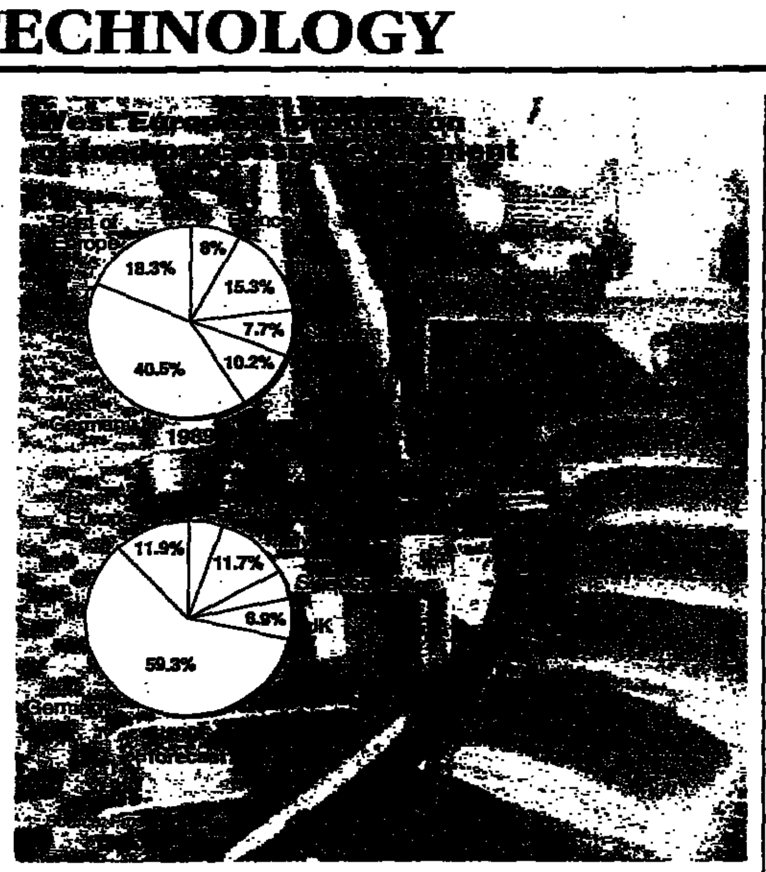
Solving hygiene problems has long been important for the food industry, although primarily as a means to an end – greater productivity. More recently, equipment suppliers and customers have realised that combinations of mechanical equipment, control systems and packaging technologies can be used to create a marketing opportunity through overcoming a hygiene obstacle.

Marks & Spencer, for example, has developed a New Zealand chilled lamb business to replace chilled English lamb in the winter when eating quality becomes too variable. Apart from careful selection of the carcasses, the business relies crucially on computerised systems to control temperatures on the 35-40 day voyage from New Zealand, says Martin van Zwanenberg, M&S divisional director for foods.

However, it is the production processes between shipping of the raw materials and delivery of the finished product to the shops where hygiene is most important. But the challenges are less understandable to the layman and often more difficult for the industry to solve.

As food manufacturing equipment has become bigger and more complex, the processes used are increasingly akin to those of a chemical plant and less like a scaled-up version of a kitchen. The combination of nutrients, water and heat in a continuous production process creates a "fertile atmosphere" for bacteria, according to Terry Tamplin, marketing manager at APV Baker.

Over the past 20 years, in response to customers' needs to keep expensive capital equipment running longer, UK-based APV and the other big equipment suppliers such as Sweden's Alfa-Laval have installed clean-in-place (CIP) systems.



Now, few large food producers would even look at equipment that cannot be cleaned in place, or where parts that do have to be removed for cleaning cannot be reassembled quickly.

In this environment, hygiene problems occur when even high-pressure CIP fails to work, often because of poor hygienic design of equipment.

The 1990 Richmond Report on the Microbiological Safety of Food quoted cases where poor design had caused food poisoning incidents. Even the fastidious M&S was hit by a Salmonella outbreak on vol-au-vents 10 years ago when chicken built up in a processing machine that incorporated CIP.

Incidents like that are prompting a big co-operative effort by customers and equipment suppliers to emphasise design for cleaning – without losing out on efficiency and productivity.

Nooks and crannies where food can collect are being designed out, says Tamplin, and stainless steel used increasingly for ease of cleaning. Valves – notoriously difficult to clean, says van Zwanenberg – are being used only when absolutely necessary.

Increasingly, equipment is being totally redesigned, principally for hygiene reasons. At Hoyer, Alfa-Laval's ice-cream equipment subsidiary, the latest Straightline extrusion machine is designed with sloping surfaces, no overlaps where ice cream can collect, and a freezing tunnel built like a stainless steel tank with invisible welds.

The extruders have to be removed for cleaning but can be reassembled quickly, says John Weaver, marketing manager. "The aim is to make it as easy as possible, so that the operators don't cut corners."

Cluck, cluck, cluck

IT MAY not look like a chicken, or even taste like a chicken, but in one crucial respect — its thermal characteristics — it acts like a chicken.

Nestling discreetly among the chilled foods in Marks & Spencer's in-store refrigerators is a new breed of poultry that will never reach the nation's dinner plates but is a classic example of how food hygiene — and productivity demands — are driving equipment development.

The so-called Plastic Chicken, developed by M&S in partnership with Elm, a Scottish-based electronics company, was designed partly with the new UK food safety regulations in mind, which will require chilled food to be kept at 5 deg C. But M&S increasingly wants to hold chilled food at as low a temperature as possible without freezing it, to incorporate an ever-wider range of fresh food into its dishes.

In the past, says Nick Holloway, M&S senior food technologist, monitoring fridge temperatures involved time-consuming reading of thermometers placed in various positions on the refrigerator shelves. These, however, measure the temperature of the air rather than that of the product. M&S wanted to go direct to the product temperature for greater accuracy.

The solution was the Plastic Chicken, which incorporates a partially insulated and damped temperature probe replicating the temperature characteristics of a chicken or, with adjustments, a range of other chilled foods.

The battery-operated chicken takes a temperature reading every minute, then puts an average temperature into its memory every 15 minutes up to a maximum of 10 days, or a maximum of six months if less frequent readings are taken. If the temperature exceeds preset limits, the Chicken alarm lights discreetly — no clucking.

Data from the first generation Plastic Chickens, which will be in all 280 M&S stores by the end of July, are transferred by infra-red beam to a hand-held reader unit held up to three feet away.

But M&S has now hit on the idea of putting mini-transmitters in each chicken linked to a receiving station in the store's food office, further increasing the cost savings on collecting temperature data and improving vigilance.

The radio system can be retrofitted to the original Plastic Chickens, says Holloway, and will probably be introduced next year. It gives "battery hens" a whole new meaning.

Survival of the fittest traders

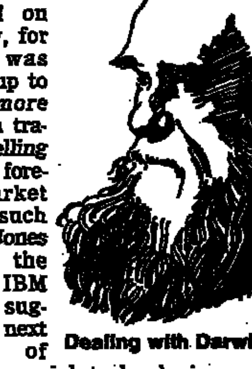
By Alan Cane

Dealers and managers in financial markets are calling on a host of novel and sophisticated mathematical methods in their never-ending search for ways to improve trading performance.

The new techniques have emerged from research into artificial intelligence; the way in which they work is reminiscent not only of the mechanisms of the mind but of natural inheritance.

They include such esoteric developments as neural networks, rule induction and genetic algorithms. These are being applied to a range of market analyses including stock market prediction, currency rate prediction, portfolio management and credit evaluation.

According to Philip Treleaven and Suran Goonatilake* of the Department of Computer Science at University College, London, the new methods are already showing an edge over traditional statistical methods. A technique based on chaos theory, for example, was found to be up to 50 times more effective than traditional modelling techniques at forecasting market movements such as the Dow Jones average or the price of IBM stock. They suggest that the next generation of intelligent financial technologies will involve a combination of two or more methods to create hybrid systems – one to analyse and predict market movements, for example, and one to execute trades according to predetermined rules.



Dealing with Darwin

Inevitably, the growth of intelligent financial technologies will mean more automation in an area where human judgment and skill has been considered paramount. "It may be possible that these technologies will lead to a situation where future investment houses have large numbers of extremely adaptive, intelligent machine traders to perform many of the more mundane trading tasks," warn the authors.

It is easy to get carried away, however, with the idea of the world's financial markets controlled by armies of robot traders. The only things the new techniques really do is to spot trends and recognise patterns – but rather more efficiently than the conventional mathematical methods of statistical clustering and regression analysis which have been the mainstays to date.

These techniques are based on approaches which seem positively bizarre to those outside the rarefied atmosphere of advanced mathematics. Genetic algorithms, for example, have their origin in a species of Darwinism – a sort of survival of the fittest theory. They have been successfully used to solve problems in imaging, large-scale electronic circuit layout, gas pipeline control and job shop scheduling.

The starting point is a pool of possible solutions to the problem, randomly chosen. These solutions are then coded in a form a computer can understand – as a set of binary digits or conventional numbers. The sets of digits are analogous to chromosomes, and the digits analogous to individual genes. A program simulating evolution in action – genetic combination, mutation and so on – can be applied to the "chromosomes". The aim to is produce a "better" solution, just as Darwinian evolution is reckoned to produce species better fitted to survive. Because there is no "natural selection" of an improved solution from the genetic algorithm, at each turn of the cycle, the products must be evaluated to test how good they are at solving the problem.

It seems hardly credible but, in practice, it seems to work. In an artificial stock market at the Santa Fe Institute, robot traders using genetic algorithm techniques generated rules about when to buy – such as "when the price earnings multiple is low" – and price trend continuations. This after about a day's run on a workstation.

Human traders need not fear for their jobs just yet; but they should be aware that survival of the fittest does not only apply to nature.

Parallel Problem Solving from Nature; Statistical Office of the European Communities, 1992

CONTRACTS & TENDERS

FT LAW REPORTS

Bank should explain documents

BARCLAYS BANK PLC v O'BRIEN
Court of Appeal
(Lord Justice Purchas, Lord Justice Butler-Sloss and Lord Justice Scott):
May 22 1992

A BANK seeking to procure a wife's signature as her husband's surety must take reasonable steps to try and ensure that she understands the effect of signing; and if it fails to take such steps it cannot enforce the security against her on the grounds only that the husband, in deceiving her into signing, was not acting as its agent.

The Court of Appeal so held when allowing an appeal by Mrs N.E. O'Brien from a decision of Judge Marder QC that the plaintiff, Barclays Bank plc, was entitled to enforce a mortgage document signed by her to secure her husband's guarantee.

LORD JUSTICE SCOTT said Mr and Mrs O'Brien were married in 1963. Their matrimonial home was in Slough. They purchased it with a £25,000 mortgage.

Mr O'Brien had an interest in a company called Heathrow Fabrications and was its auditor. The manager of the Slough branch of Barclays Bank was Mr Roger Tucker. In February 1987 he was transferred to Woolwich. The company's account was transferred to Woolwich to be supervised by Mr Tucker.

The company had an overdraft which, in April 1987, was agreed at £60,000. By June 15 it had risen to over £98,000. Cheques were being bounced.

On June 22 it was agreed between Mr Tucker and Mr O'Brien that the company would be allowed a facility of £135,000 reducing to £120,000 after three weeks, guaranteed by Mr O'Brien. His liability was to be secured by a second charge over the house.

Mr Tucker gave instructions for the necessary security documents to be prepared. He sent them to the Burnham branch (a sub-branch of Slough) to await signature by Mr and Mrs O'Brien.

He instructed the sub-branch to advise Mr and Mrs O'Brien that the maximum facilities would be £135,000, to ensure that they were fully aware of the nature of the documentation, and to advise that if in doubt they should contact their solicitors before signing.

Mr O'Brien signed on July 1. On July 2 he brought his wife to the sub-branch. The clerk failed to follow Mr Tucker's instructions. Mrs O'Brien signed. The clerk witnessed her signature. No explanation of the documents or their effect was given. She did not read the documents before signing. No one recommended that she should obtain legal advice.

By October the indebtedness was over £154,000 and in November formal demand was served on Mr O'Brien under the guarantee.

Mr O'Brien's liability was established by Judge Marder's judgment in the court below. He did not appeal.

Mrs O'Brien did not fit the now rather outmoded pattern of down-trodden wife subservient to her husband.

The judge said Mr O'Brien falsely represented to her that the charge was limited to secure £60,000 and would be released in a short time.

Her evidence was that she was reluctant to put the family home at risk, but her husband insisted that she must sign. He told her it was only for three weeks. He became extremely emotional and said that if she did not sign the whole company would go bankrupt and their son would lose his home as well. Mrs O'Brien was concerned for her son and felt that, if it was only for three weeks and would do the trick, she would sign. She went to the bank where the documents were laid out for signing. She did not read them. They had been folded back to show the places to be signed.

The principal reason the judge found in favour of the bank against Mrs O'Brien was that there was no evidence that in deceiving his wife Mr O'Brien was acting on behalf of the bank.

For historical reasons equity in the past treated married women differently and more tenderly than other third parties who provided security for the debts of others.

The authorities preceding *Avon Finance v Bridger [1985] 2 AllER 281* did not depend on endowing the husband with the status of creditor's agent. Married women who provided security for their husbands' debts were treated as a special protected class of surety.

Avon added to the protected class a case in which vulnerable elderly parents had agreed to provide security for the debts of their adult son.

Post-*Avon* cases were not easy to reconcile with one another. In neither *Kings North Trust [1986] 1 WLR 119* nor *Barclays Bank v Kennedy (FT, November 15, 1988)* was there any explicit finding that the debtor was acting as agent for the creditor.

In cases falling within the protected class, security given by the surety would in certain circumstances be unenforceable notwithstanding that the creditor might have no knowledge of and not have been responsible for the vitiating feature of the transaction. That was supported by *Turnbull v Duval [1902] AC 329; Chaplin v Brammall [1908] 1 KB 233; Avon Finance; Kings North Trust* and *Barclays Bank v Kennedy*.

In cases falling within the protected class equity would hold the security given by the surety to be unenforceable by the creditor if:
(1) the relationship between the debtor and the surety and the consequent likelihood of influence and reliance was known to the creditor;
(2) the surety's consent to the transaction was procured by undue influence or material misrepresentation on the debtor's part, and the surety lacked adequate understanding of the nature and effect of the transaction;
(3) the creditor failed to take reasonable steps to try and ensure that the surety entered into the transaction with adequate understanding of its nature and effect and that the surety's consent was true and informed.

Those requirements emerged from the authorities.

The position of married women today was very different from what it was when the equitable principles underlying *Turnbull v Duval* and *Chaplin v Brammall* were being formulated. It was arguable that married women no longer needed protection. Many women did not.

But in the culturally and ethnically mixed community in which we now lived, the degree of emancipation for women was uneven.

Reliance by a wife on her husband to make the business decisions for the family was the justification for the tenderness of equity towards married women. That justification was still present. The old authorities pre-*Avon Finance v Bridger* were still good law.

Each case within the protected class must depend on its own facts.

But a clear written recommendation to the surety to take independent advice before signing would be advisable in most cases.

If a creditor had taken reasonable steps, such as advising the surety to take independent advice or offering a fair explanation of the document before the surety signed it, there was no reason why equity should intervene.

The judge rightly declined to find Mr O'Brien had been appointed the bank's agent. Mr Tucker's instructions to the sub-branch made it clear that the bank was retaining the responsibility of explaining to Mrs O'Brien the effect and nature of the documents she was to sign.

The question was whether the bank took reasonable steps to try and ensure that she had an adequate comprehension of the effect of the charge.

It did not.

If Mr Tucker's instructions to the sub-branch had been carried out the answer would have been otherwise.

Mr O'Brien was not the bank's agent, but the equitable principles established in the authorities required that creditors who took from married women security for their husbands' debts should take reasonable steps to see that they understood the transactions they were entering into.

In view of Mrs O'Brien's misunderstanding of the transaction, it was not enforceable against her, save to the extent of £60,000.

The appeal was allowed.

Lord Justice Butler-Sloss agreed. Lord Justice Purchas gave a concurring judgment.

For Mrs O'Brien: Simon Buckhaven (Stops & Burton, Daventry).

For the bank: Philip Goodenday (Harry I Alkin & Co).

Rachel Davies
Barrister

PEOPLE

Amec's house of cards

Malcolm Hawe, architect of Amec's rapid expansion into housebuilding and the company's biggest individual shareholder, has resigned as chairman of the company's loss-making housing and property business.

The departure of 53-year-old Hawe comes a couple of months after Amec itself reported a loss as a result of a need to take a £60m exceptional provision against its land and property values. In common with many construction companies Amec, had increased its exposure to property and housebuilding just at the wrong time. Analysts suggested that his departure confirms that Amec intends to withdraw from the housing business.

Hawe, a quantity surveyor, joined Amec in 1986 when the group joined forces with his housebuilding company to form Fairclough Homes. In 1989 he was appointed to the main board following the "remarkably successful development" of Fairclough Homes. In addition to being rewarded with a boardroom seat, Hawe also emerged as a major shareholder because Amec issued paper to buy his company. At one stage he owned 6.85m Amec shares. However, he has been a steady seller of Amec stock and according to the last annual report his stake had fallen to 2m.

John Early, Amec's 46-year-old finance director, is taking over Hawe's responsibilities and will continue to be responsible for directing Amec's strategic development throughout Europe and for overseeing the rationalisation of Amec's US activities. Simon Batey, Early's 39-year-old deputy, is taking over from Early as group finance director.

Racal realigns

Sir Ernest Harrison, chairman and chief executive of Racal Electronics for 26 years, will relinquish the chief executive spot to his right-hand man David Elsbury from the beginning of August.

While Elsbury, 56, was obviously the heir apparent, analysts yesterday expressed a degree of surprise that Sir Ernest had lined himself up as chairman of Chubb, the security locks and alarms business due to be demerged in October. The precise timing of the split chairman and chief executive role at Racal may thus have been determined by Sir Ernest's appreciation he could not inhabit all three positions - with the chairmanship of Vodafone, now spun off from Racal, into the bargain.

Elsbury, who joined Racal in 1956, has been chief operating officer since 1989, and deputy chief executive since 1983. His task in the last three years has been to restructure the non-Vodafone side of the business.

Sir Ernest, 66, yesterday also named the two non-executive directors he is bringing onto the Chubb board. One is Sir Colin Corness, chairman of Redland and the Nationwide building society and a director of the Bank of England. Sir Colin knows Chubb already, having been a non-executive director of Chubb & Sons for ten years until the Racal purchase in 1984.

Meanwhile, the other non-executive appointment, Michael Blackburn, who was until last April chairman of Touche Ross & Co., has obviously forgiven the chairman his rhetoric in the midst of the recent Williams Holdings battle for Racal. Sir Ernest, a qualified accountant himself, was heard to make disparaging remarks about the profession as he laid into the Williams team - a bunch of "accountants" who only knew how to slash costs.

■ **David Downes** becomes deputy chief executive of HUNTER SAPHIR in addition to his responsibilities as group finance director. **Peter Austin** becomes a director. **Ken Payne** is company secretary.
■ **Christopher Rouse** has been appointed development director of FORTE HOTELS. **Mike Stevens** becomes a director of FORTE POSTHOUSE.
■ **Valerie Corrigan** has been elected shareholder director of NFC.
■ **Alastair Channing**, deputy md of operating subsidiary Associated British Ports, and **James Shaw**, md of property subsidiary Grosvenor Square Properties, are appointed to the board of ASSOCIATED BRITISH PORTS HOLDINGS.

Back to business

Howell Harris Hughes, the last of the outgoing members of the Prime Minister's Downing Street policy unit, has resurfaced as deputy chairman designate of Cantrade Investment Management.

Hughes, a former partner of Phillips & Drew, was recruited to the policy unit at the start of 1989 by Professor (now Lord) Brian Griffiths. He was involved primarily on Department of Trade and Industry issues and his responsibilities have now been passed on to David Poole, the James Capel director who joined the policy unit last month.

By joining Cantrade Investment Management, the newly-formed investment arm of Switzerland's Bank Cantrade, 48-year-old Hughes is returning to his old stamping ground of non-pension fund investment management. He joined P & D in 1967 and rose to head the part of the business which specialised in non-pension fund business. P & D is now part of the Union Bank of Switzerland empire as is Bank Cantrade. Cantrade Investment Management, formed around the basis of the old C.S. Investment Management, has £1.3bn of funds under management and services a different part of the market from the much bigger Phillips & Drew Fund Management.

Hughes' appointment means that all the old members of the policy unit have now found new jobs. Jonathan Hill, who worked for Jacob Rothschild and Hamish Hamilton before joining the policy unit, replaced Judith Chaplin as the Prime Minister's political secretary in March. Civil servant John Mills has been appointed the new director of consumer affairs at the Office of Fair Trading, and Caroline Sinclair, a former Treasury official, has moved to the Home Office.

■ **Jeremy Logie** (above), formerly md of BAA Hotels, is chief executive of the HOTEL CATERING AND INSTITUTIONAL MANAGEMENT ASSOCIATION.
■ **Air Chief Marshal Sir David Parry-Evans** will be the new chief commander of ST JOHN AMBULANCE.
■ **Robert Drummond**, chief executive of Grosvenor Venture Managers, becomes chairman of the BRITISH VENTURE CAPITAL ASSOCIATION.
■ **Angela Browning MP** is parliamentary adviser to the INSTITUTE OF SALES & MARKETING MANAGEMENT.

Royal changes the guard

Management changes continue apace at Royal Insurance, as the composite insurer claws its way back to profitability under chief executive Richard Gamble.

Peter Sharman is the latest to move upwards as part of a rejigging of senior posts at Royal UK, which sees the departure of managing director Geoff Prince.

Sharman, a 48-year-old Lancastrian, has been with Royal since 1961. One of the company's "troubleshooters", he has headed up problem-prone subsidiaries in Spain and Australasia. He was called back from Australia last August to become Prince's deputy.

Prince, 51 and another Royal stalwart, had only been managing director for just over two years ago. He will now pursue a new career outside insurance, leaving as the company's UK underwriting results show the first signs of improvement after two years of heavy losses.

Meanwhile, Roy Elms, the underwriting director appointed late last year, sees his responsibilities broadened. He becomes deputy chairman of both Royal UK and Royal Insurance (Global), the subsidiary which underwrites multinational and London market business.

Royal's chairman, Sir John Cuckney, has been appointed chairman of Royal Insurance (Global).

Separately, at Royal Life Estates, James Chapman has been appointed financial services director. Phillip Raw takes over as professional services director and Bill Willetts becomes human resources and general services director.

Alice Rawsthorn explains why Europe's luxury goods makers are having a tough time

Japan loses its yen for Paris

There was a *time in* the late 1980s when Japanese tourists were buying so many *quilted leather bags at the* Chanel shop on Rue Cambon *in* Paris that Chanel was forced to "ration" them to three per person. Unabashed, the Japanese lurked outside, bribing passers-by to buy more bags for them.

Chanel is not the only European company to have benefited from the Japanese lust for western luxury goods. In the 1980s, Japan emerged as the fastest growing market for European fashion, perfume and cosmetics, *thanks to the* apparently insatiable appetite of Jap*anese consumers for Hermes* scarves, Louis Vuitton luggage *and Gianni* Versace clothes.

Japan's recent economic *problems* – tumbling corporate profits, plunging share prices and the precarious property market – present a depressing scenario for Europe's fashion and beauty groups. The economic squeeze has already affected their sales in Japan itself and to Japanese tourists in other countries. The Europeans are now anxiously trying to assess the long-term impact on one of their most important markets.

The catalysts for Japan's emergence as an important source of sales for European fashion and beauty brands were economic growth and the increasingly cosmopolitan attitude of Japanese consumers who were *travelling* more widely and becoming more receptive to western trends.

These influences were accen*tuated by the frenetic growth* of Japan's property and stock markets. *This created a new* group of ***nouveau riche*** consumers, *happy to spend their* new-found profits on Cartier *jewels and Gucci shoes. The* property boom also priced the established middle classes out of the housing market. Young couples were *forced to post*pone purchasing their own homes, leaving them with *more to spend on themselves.*

Clarins, the French skincare company, now sells more each year from a single counter at the Isetan department store in the Shinjuku area of Tokyo than in smaller European countries. Paul Smith, the London menswear designer, depends on Japan for nearly two-thirds of his turnover.

LVMH, the French luxury goods group behind Louis Vuit-

ton, makes more than a quarter of its sales in Japan. And Japanese tourists account for a fifth of the sales of some products, such as perfume, at the Printemps department store in Paris. "Japan is incredibly important in sales terms," says Susannah Hardy, luxury goods analyst at Bacot Allain War*burg in Paris. "It is even more* important in terms of profits *because the margins on prod*ucts sold there are so high."

Times have changed. The boom in the property and stock *markets fizzled out two years* ago. The first products to suffer were the most expensive – the Impressionist paintings and opulent jewels. Cartier, *one of the most prestigious* Paris jewellers, saw its Japanese sales slip by 12 per cent last year.

Until recently, more mundane luxuries, French perfumes and Italian designer clothes, were unaffected. But the recent run of Japan's economic problems has depressed consumer confidence. Sales in department stores, the main outlets for European fashion and beauty products, fell by 2 per cent in April compared with the same month *last* year. The Japanese have also cut back on *international* travel, thereby reducing "souvenir" *sales to tourists.*

"It is too soon to say what will happen," says Philippe Vadon, president of the Japanese subsidiary of L'Oréal, the French cosmetics group. "So far, all we have seen is a slowdown in the extraordinary rate of growth, experienced in the late 1980s. Remember, in Japan last year, our Lancôme brand grew by 30 per cent."

Serge Rosinoer, chief executive of Clarins, agrees. Clarins' Japanese sales rose by 20 per cent in the first quarter of this year, compared with the 30 per cent Rosinoer would have expected had the economy been healthier.

So far, the slowdown has not been too severe. Moreover, the strength of the yen in the first quarter has helped to offset any reduction in growth. However, *the Japanese slowdown* comes at a time when European fashion and beauty groups are already under pressure *in other markets, notably* the US.

There is also concern that the situation in Japan will *deteriorate. The worst scenario* would be a repetition of 1974-5 *when the economy sank* into recession, savings ratios rose and consumer spending collapsed. "In the past, the Japanese have responded to recession by saving more and spending less," says Claude Meyer, *chief economist at* Bank of Tokyo in Paris. "We *just don't know yet whether* that will happen again this time."

These problems are aggravated by the changes in Japanese consumption patterns. Even before the economic squeeze, the Japanese were becoming more discerning in their choice of western goods. The old era, when wealthy consumers seemed willing to buy just about anything with a glitzy European label, has ended.

"The Japanese are now more mature, discriminating consumers," says Peter Wallis, a specialist in luxury goods at *SRU, the London*-based management consultancy. "They have travelled more widely and are more knowledgeable about what *they are buying*. They want a wider choice and they want quality."

Louis Vuitton's experience *bears this out. It began in* Japan by selling its signature luggage with 'LV' initials stamped all over the leather. Its range has now widened and the fastest-growing line in Japan is the more discreet *cuir épi* collection. "The Japanese are looking for quality and *price," says Emmanuel Prat,* president of LVMH in Japan. *"Image is not enough any* more."

In theory, this *may* make it more difficult for European companies to sell to Japan. Wallis suspects it will certainly make life more difficult for less prestigious brands which may be squeezed out of the market.

Meanwhile the established players are waiting to see whether the Japanese economy worsens. Their problem is that there is little they can do to mitigate the situation. Most accept that Japan is a complex market, demanding long-term commitment. They are reluctant to jeopardise their investment in research and distribution by adopting the *conventional*, counter-recessionary tactics – price-cutting, accelerating product launches or reducing promotional bud*gets – they might employ in* other countries.

"We are talking about a very, very important market," says Rosinoer. "We cannot run the risk of damaging our position by adopting short-term strategies. Whatever happens, we will sit it out because we are in Japan for the long-term."

The days when Chanel had to ration its bags are now over

Putting customers in the picture

Paul Taylor says Kodak is projecting a new image

Kodak has the kind of marketing problem most companies would envy – a brand name that is so well known that it overshadows all of its products.

When people hear the Kodak name, they think of photography, as they have done for more than a century. Kodak has one of the strongest brand names in the world *along* with Coca-Cola and Sony. That is *great when Kodak is selling* camera film, but not so good when it wants to be taken seriously as a supplier of high-tech office equipment.

Kodak is up against competitors like Xerox, with a brand name synonymous with photocopiers, and Canon, the Japanese group. Among "business decision makers", only one in five associates Kodak with photo-copying while three out of four link the Rank Xerox name to office copying equipment. Similar figures emerge for Kodak's other office equip*ment products*, which range from digital cameras and docu*ment scanners to optical disk* storage systems and high volume colour copier-duplicators.

Kodak's commercial customers consistently give *it's* products – most of which have high price tags - good marks for reliability and service, but the problem is that existing customers are few in number.

Kodak's executives acknowledge the brand image problem. The company's traditional photographic market is under attack from other competitors like Japan's Fuji Film, making the move into office equipment all the more important.

Mike Mansell, head of Kodak *Office Imaging* in the UK, says that although most business people have personal experience of Kodak's photographic products, *those who influence* decisions "do not really associate Kodak with the business environment".

Mansell believes that some of Kodak's consumer advertising, like last year's campaign featuring disposable cameras, "may be seen as relatively flippant" by business customers.

In the past, Kodak has tried "umbrella" advertising to emphasise the broad range of its businesses and overcome this commercial credibility gap. However, the group recognises that it faces a marketing challenge and not just an advertising problem: a radical response was needed.

First, Kodak *has redefined* its core business around the "imaging" *banner – a concept* that links traditional photog*raphy and the* digital technologies which dominate the office equipment market. By doing this, Kodak hopes its brand name will become linked to the imaging expertise it employs in scanners, optical disks and printers, and not just in consumer photography.

As a first step, Mansell says that Kodak must change its internal image, "*the one* we *have* of ourselves," and project the new image consistently.

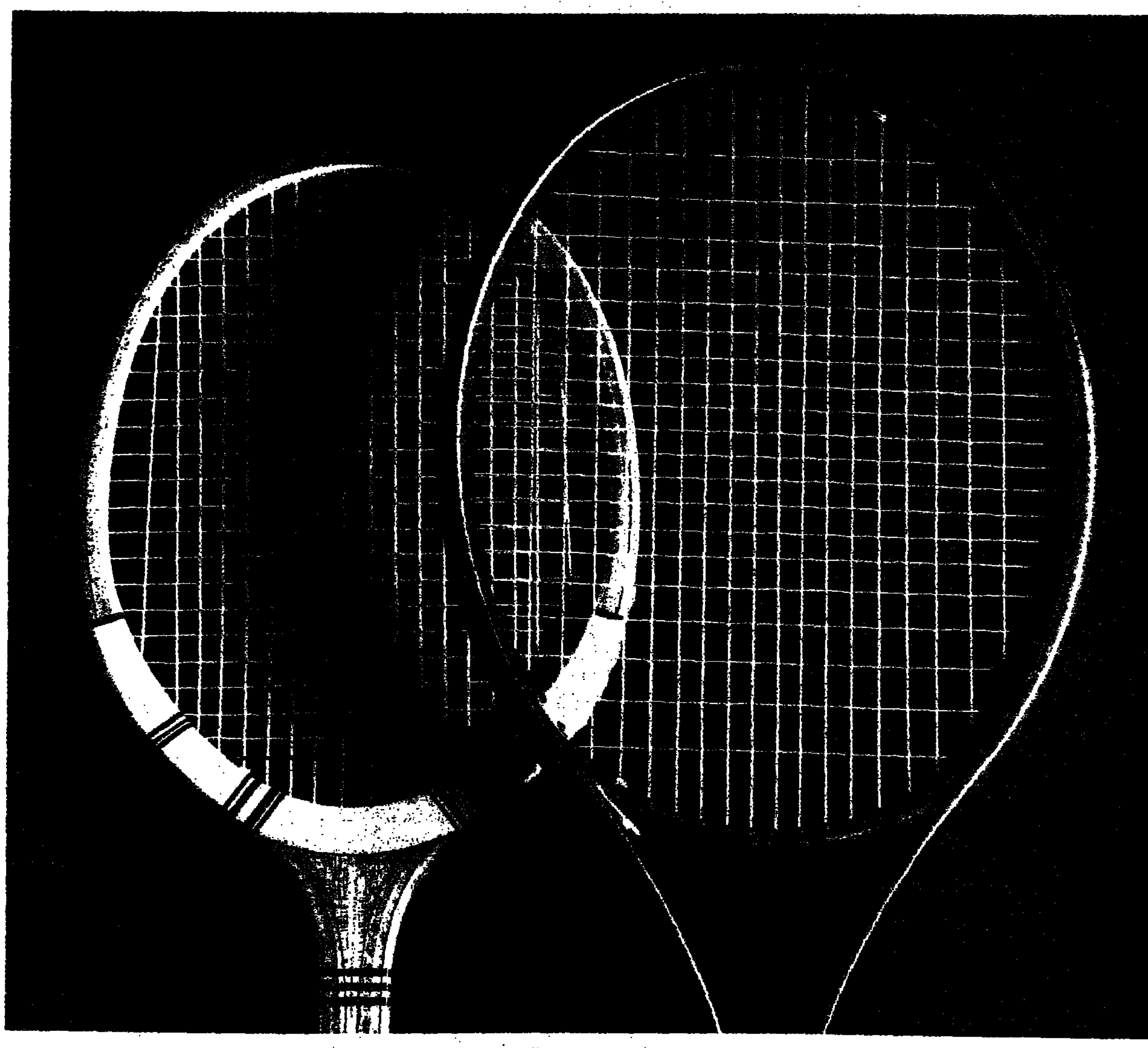
Second, the group structure *has been reorganised into* three divisions – imaging, *which includes both* photographic products and business equipment, chemicals and health. *One* aim has been to shorten lines of communication, ensuring that functions such as research and development, marketing and customer service are better co-ordinated.

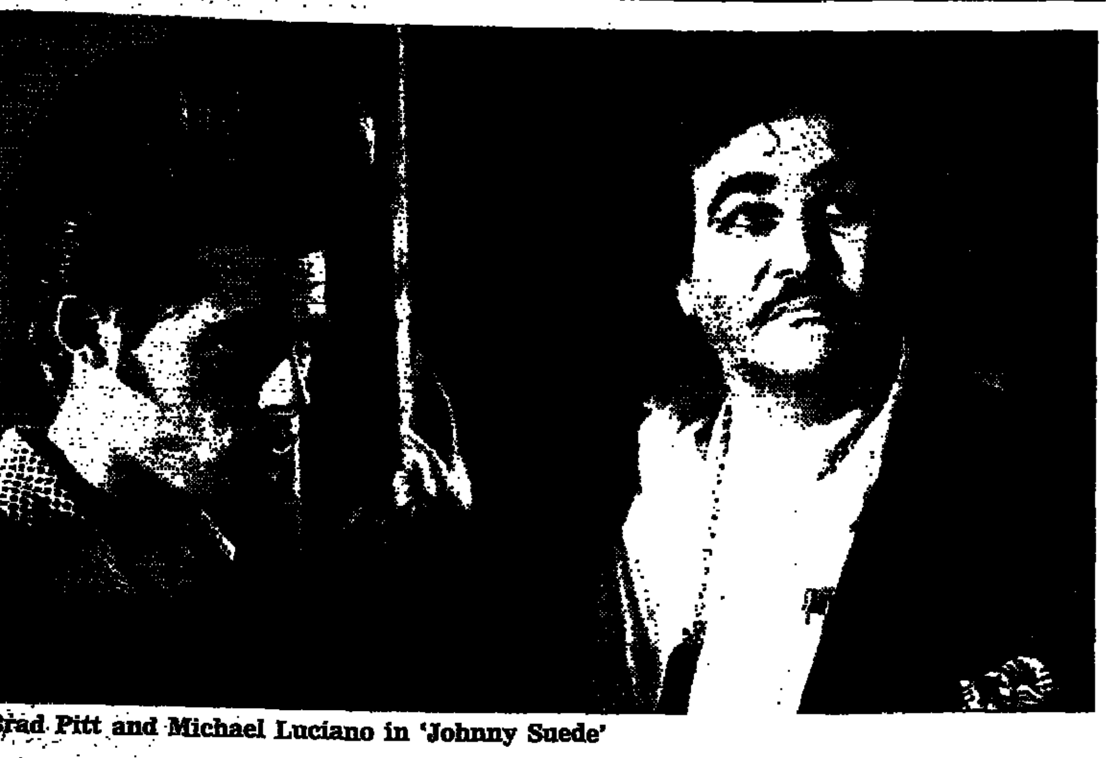
The reorganisation is also meant to simplify the management of customer accounts and encourage sales representatives to listen more *closely* to customers' needs.

The formation *of Kodak* Office Imaging, for example, brought together *businesses* which previously operated as *distinct units*, sometimes even in competition with each *other*. Now customer databases, long acknowledged as *one of the* most powerful marketing tools, have been merged and only one Kodak sales rep will call on customers in future instead of two. Mansell says the new structure has already resulted in "some enormous new (sales) opportunities", although he adds that *it will* take time to change customer perceptions.

Time is not on *Kodak's side*. The company is under pressure *to sort out its marketing* quickly in order to halt a succession of poor results including a 19 per cent drop in 1992 *first quarter* net earnings.

The success of this latest reorganisation, the fifth since 1983, and Kodak's attempts to develop its commercial brand image, will be critical to its future. Mansell says Kodak will not be "throwing money at advertising". Instead it is attempting to deal with the technical problems its customers are facing. "It is going to take a great deal of effort and commitment on our part, but if we don't do it, we will be losing a great opportunity."





Brad Pitt and Michael Luciano in 'Johnny Suede'

Cinema/Nigel Andrews

Masterpiece in a minor key

Johnny Suede, a writing and directing debut by cameraman-playwright Tom DiCillo, who photographed *Stranger Than Paradise* and penned the one-man play on which this new film is based, is an example of "sort of" cinema. It is sort of wonderful and sort of weird. *And it is sort of* about this sultry-looking innocent (Brad Pitt) who loves suede shoes and rock music, who models himself on Ricky Nelson – complete with well-oiled quiff – and who cannot mind up his mind about love. Should he *choose beautiful*, disturbed Darlette (Alison Moir), who lives with the neighbourhood sadist, or sensible, forthright Yvonne (Catherine Keener), who teaches him how to find stimulating parts of the female anatomy?

Johnny, *for most of the time*, can find scarcely anything. Except for a pair of magical suede shoes which fall from a night sky onto the roof of a telephone booth and become his *Oz*-like talisman. Johnny lives in a moody, noir-ish city not unlike *New York*. (*Actually it is New York* but unnamed.) And he drifts, drifts, drifts, from day to day.

This is deeply charming film. It has a sleepy wit and a blissful line in tell-tale decor: strawberries and flamingos for dinky Darlette, no-nonsense hard angles for Yvonne, damp walls and a fridge containing one mouldering carrot for Johnny. In addition Brad Pitt, the young hoodlum from *Thelma And Louise*, plays the sweet, dim, pompadoured hero with a charisma that reminds me – indeed has reminded everyone to judge by the American press quotes – of James Dean.

The spirit of this film is simultaneously nostalgic and 1990s. The pop-historical reference points are rock 'n' roll and 1950s teenage dandyism. But the narrative technique is modern. Wandering stories which appear to be no stories at all have been embraced by Jim Jarmusch, Gus Van Sant, Hal Hartley and Aki Kaurismaki, and their films represent the healthiest crisis cinema has experienced for decades.

Johnny Suede is at times more mannerism than meaning, but it still has a bravura aimlessness. When most about "nothing" – Johnny earning a few daytime cents as a painter-decorator, Johnny daydreaming of an audience of screaming girl fans as he stands on stage crooning about the beauty of suede, Johnny musing malapropistically about girls ("That's the way I'm handling this one, strictly Plutonic") – *it is about everything. It* is about the way we live, moving in and out of consciousness, feeding our fantasies, dreaming dreams, and making career plans that seldom leave the drawing-board except to dive straight into the waste-paper bin.

Tom DiCillo's movie won the Golden Leopard for best film at last year's Locarno Film Festival. Stuck in a one-lake Swiss town you might *have voted for it yourself* – and suspected your vote was one for desperation. But what seems at times to be last-gasp mannerist minimalism, *fin de siècle* style, seems at others like a brave fluidity made for the next millennium. *Johnny Suede* is minor in key but messianic in import.

JOHNNY SUEDE
Tom DiCillo

DOUBLE X
Shani Grewel

STRAIGHT TALK
Barnet Kellman

THE BEAST
Walerian Borowczyk

There have been several rumoured sightings of Norman Wisdom over the 25 years since he retired from movie comedy. But some believe, like myself, that they are apocryphal; that the man who bestrode 1950s British cinema with his bicycle cap, ill-fitting jacket and braying pathos was put in a time capsule long ago together with Muffin the Mule and Lonnie Donegan.

Now he has been taken out again, and hooray. I enjoyed him in *Double X*, a colourfully appalling thriller in which Norman plays a runaway scientist-inventor pursued by the criminal mob he invented things for. Just what he invented is obscure. Perhaps it was the rabid-ferret hair dye and stage Irish accent sported by Bernard Hill or the Michael Gambon impersonation kit deployed by Mr Ward.

This cheerful rubbish was directed by Shani Grewel. No one seems to have any idea what he or she is doing – she being Gemma Craven as gangland's answer to Shanghai Lily – except for our Norman. He just carries on happily, gasping, giggling, groaning, where *The Bulldog Breed* and *A Stitch In Time left off. Two decades in a time* capsule teach one the wisdom of serenely, stoically doing one's own thing.

*

"Sometimes you gotta get out and honk your own horn" says Dolly *Parton as an agony aunt in Straight Talk*. Playing Chicago's riposte to Claire Rayner, she hurls motherly advice over the airwaves after stumbling into WNDY Radio as a prospective switchboard girl and being mistaken for the new phone-in hostess who fails to turns up. (Why? We are never told.)

Meanwhile, in another part of the movie, a plausible romantic lead has failed to turn up and the part goes to fidgety, semi-crazed James Woods of *Salvador*. He and Miss Parton bill and coo at each other *over that surging outcrop known as* Miss P's bosom. Woods playing a reporter out to expose her imposture. Will she be exposed? Or will he fall for the impostress?

This is Hollywood at its most amiably confused. There are enough *loose ends in the film to harness* up a team of chariots. Why, for instance, is the subplot infatuation with our heroine of radio producer Griffin Dunne not resolved? Dunne is the funniest thing here: executive stress written into every twitch of *the hand, every palpitation of that* boil-in-the-bag face. But he is fast marginalised by writers Craig Bolotin and Patricia Resnick and director Barnet Kellman, who know where the money is. In a film starring Dolly Parton, a *competition-destroying landmark*, what chance does a mere good actor have to feature in the scenery?

*

At the ICA you may catch a new, uncut print of Walerian Borowczyk's *The Beast* (*La Bête*). This is the film that had a thousand Aunt Ednas calling for intensive care when it appeared in the mid-1970s. It is the tale of two beautiful heiresses wrestling with two well-equipped monsters in two different centuries (18th and 20th). *L'erotisme fou*, painted with the bright unshockable wit that this Polish-born director brought to *Blanche* and *Immoral Tales*.

Elsewhere in the cinemas the rewards are for those who search. My customary advice in the silly season, which has now arrived in Britain with all its luggage, is to indulge in Creative Filmgoing. A visit to the movies is not contingent upon the week's new releases. Repertory cinemas abound, from London's ICA, Electric Cinema and National Film Theatre to the regional film theatres across the land.

Nor is multiple-choice programming confined to the art-house sector. The boldest recent initiative has been that of the Prince Charles cinema where for £1.20 per ticket – astonishing but true – you can choose among 20 new or classic films shown within a single week: *The Prince Of Tides, Cyrano De Bergerac, Apocalypse Now, Father Of The Bride, Bugsy*...

Ballet/Clement Crisp

Dark Elegies

The Ballet du Rhin broke the run of its charming *Fille mal gardée* on Tuesday and Wednesday with a triple bill of more modern works. I wish the programme had allowed us a more flattering view of the troupe, but after showing that the company could deal well with a masterpiece (*Dark Elegies*), we were faced with a gadarene rush into fatuity and unflattering choreography in stagings by Claude Brumachon and Oscar Araiz.

Antony Tudor made *Dark Elegies* in 1937, and it was a prophetic work. Mahler's *Kindertotenlieder* were to become terribly apt in the war years, and to our shame, they are still more pertinent today. Tudor's language turns a community's agonies into ritual that never dulls the pain of parental loss, and the Ballet du Rhin interpretation has the austerity, the avoidance of overt sentiment, that Tudor demanded in performance of his work. I think that *Dark Elegies* would strike most terribly home were its soloists to be great dancers who sternly repressed their feelings – I imagine Makarova or Semenyaka in the second song; Baryshnikov in the fifth – but we cannot hope for such casting, and the present artists' simplicity, their sense of responsibility to the text, is pleasingly honest. If the text itself differs from the old Ballet Rambert version we knew for many years, it yet remains the most powerful expression of grief that dance has yet given us, and the Ballet du Rhin do not betray it.

Just what Claude Brumachon's Hawk's Lament' expresses I could not fathom. Three women in long dresses leaned backwards and postured. Four men, in revealingly tattered garb, entwined themselves. An attractive score by Christopher Zurfluh made mediaeval noises. The stage was not over-lit. There were frenetic slappings and brief, anxious gestures. Nothing else happened – neither well-organised dance nor discernibly rational activity. The curtain fell. Swift ingestion of alcohol is the only cure.

Not even alcohol, though, could numb the awfulness of Oscar Araiz' version of *The Carnival of the Animals*. How it is possible to stage Saint-Saens' witty, charming, infinitely felicitous score without a single atom of its many virtues rubbing off on to the dance, I do not know, but Mr Araiz has succeeded. He is aided and abetted by a witless barrage of rhymed couplets that introduce each animal, spoken on Tuesday with great good humour by Adrian Edmondson, who deserved danger-money for having to memorise so much bad verse. Mr Edmondson was also the most entertaining mover on stage, the choreography for the large cast condemning them to actions foolish, inordinately dull. The cabaret in hell is less tiresome. The score was well done by the Wren Orchestra under Nicholas Moisiejenko, with Leslie Pearson and Vivian Troone very able pianists.

The Ballet du Rhin continues at Sadler's Wells with its version of *La Fille mal gardée* until June 13. The visit is made possible by the Association Française d'Action Artistique and the Opéra du Rhin.

Dance in New York/David Vaughan

School of American Ballet

The annual School of American Ballet Workshop (so-called) performances are an event of more than parochial interest. They are, to begin with, fully staged productions of ballets, usually from the repertory of New York City Ballet, with orchestra, the excellent Juilliard School Philharmonia. (During his tenure as musical director of the company, the late and much lamented Robert Irving used to conduct.) The audience includes not only doting parents and siblings, but also balletomanes, critics, and directors of other companies from around the country, all on the lookout for new talent. Some of these audience categories overlap.

Former members of NYCB now direct companies or teach outside the city. This year's award-winning students, Emily Coates and Anna Liceica, are former pupils of Patricia Wilde, director of Pittsburgh Ballet Theatre, and Yvonne Mounsey, who teaches in Santa Monica, California, respectively. Another very gifted young dancer, Rachel Rutherford, is the daughter of the former ballerina Gage Bush and the late Richard Englund, an associate director of the Joffrey Ballet. Coates and Liceica have already been taken into NYCB as apprentices.

Although the School is the official school of City Ballet, not all its graduates can find a place there, so *it also feeds into American Ballet* Theatre and companies outside New York and even abroad. (Paloma Herrera, a 16-year old in last year's performances, has been attracting notice in small roles at ABT this summer.)

The performances this year afforded a pleasure over and above that of watching fresh young talent. After the dismal week of "original" ballets presented in the NYCB's "Diamond Project" (which really was a glorified workshop), it was a relief to see an evening of mostly great choreography: two Balanchine ballets that were not in the company repertory this season, *Allegro brillante* and *Who Cares?*, and a Bournonville divertissement, the pas de trois from *La Ventana*. The only clinker was Martins's achingly *tedious Mozart Serenade*.

The general level of the dancing would have done any professional company proud. Once on stage, these teenagers seem to lose all trace of adolescent insecurity and become assured, elegant, sophisticated young women and men. If I had to pick out one outstanding dancer, it would be the Romanian-born Anna Liceica, who danced the first variation in *La Ventana* with sweet delicacy and lyricism, then gave a knockout performance of the "My One and Only" solo in *Who Cares?*, with its dazzling succession of multiple pirouettes.

But the whole cast in this ballet was sensational, from corps de ballet through to soloists: Liceica, Rutherford, bewitching in the "Fascinatin' Rhythm" solo, and Gavin Larsen, *spirited in "Stairway to Paradise"*, all three women strongly partnered in their duets by John Winfield. As so often before, this was the perfect ballet for a June evening in New York City.

Theatre

Pond Life

Paul McCready, Joanna Robinson, Richard Standing and Lyndon Davies

"This is the best summer of my life – I wish I had it all on videocassette." With these words *Pond Life*, *a new play by Richard Cameron*, begins. The seven characters are just kids, and their talk is just kids' talk. The first scene gets nowhere slowly, and the play seems a drab example of garden-shed theatre – except that it hardly seems to be a *play. Then the tone changes with* successive scenes, and the play becomes absorbing, funny and moving – except that it hardly seems to be a play.

Pond Life, a play about adolescence, is extraordinarily real, and it *is beautifully heightened by a* young cast who are mainly still of school age. (From the programmes biographies; "Isobel was a member of the Actors' Workshop in Halifax, and is currently sitting her A levels... She has the option of work*ing at the National Theatre of* Namibia, before applying to Drama School.") You don't expect teenage actors to be able to catch the minor and major pangs of teenage existence as vividly as this. That they do must be thanks to superb direc*tion from Simon Usher*. Anthony Lamble's designs miraculously create four large and contrasting locales out of the tiny Bush stage.

The play exists on some surprising cusp between *The Three Sisters* and *The Secret Diary of Adrian Mole*. A critic's job is to report; but to describe most of what goes on here would be to break its spell. Five of the seven characters are interested in fishing: hence the title. *You see one slightly retarded girl*, Pogo, going through an astonishing mad scene, you see bullying and flirtation and heartbreak, and yet the climax occurs when three characters catch a carp.

Pogo, by far the hardest role, is the *only part which makes you* aware of acting. Though Joanna Robinson catches the fluctuations and pace of the character's behaviour with perfect naturalness, she slightly overdoes the wide-eyed ingenuousness and high white voice of innocence. Other players include Lyndon Davies, remembered as a child actor in *The Singing Detective* on TV and as two young Plantagenet princes with the RSC in 1988-89; *here he is a Yorkshire scamp fasci*nated by all the usual things – girls, boys, masturbation, teasing and, yes, fishing.

Joe Duttine achieves the plays's most hilarious moment on his first entrance. A pretty young thug with a tattoo and an earring, he comes in sourly with his girlfriend, lies down importantly on some concrete – and then says "Think I'm gonna get me 'air cut." The play leaves you wanting to know more about him and Cassie (Isobel Raine). They are the two who are so caught up in important adult things that they don't have time for fishing; and you come to feel that is their loss. As Trevor, the chief fisherman and *most adult character*, Richard Standing is moving in the play's simplest moments.

Pond Life is about working class kids in South Yorkshire today. My adolescence, however, was middle-class, public school and Southern. Even so, time after time this brought back with shocks of recognition the time when the most crucial things in life were parents, pop songs, acne and unrequited love.

Alastair Macaulay

Bush Theatre, London W.12

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Concertgebouw 20.15 Kronos Quartet plays works by Gorecki, Hindemith and Gubaidulina. Sat afternoon: Simon Rattle conducts Rotterdam Philharmonic Orchestra (6718 345)
Beurs van Berlage 20.15 Vassili Sinaiski conducts Netherlands Philharmonic Orchestra in works by Schumann, Von Henselt and Dvořák (6270 466)
Muziektheater 19.30 Nikolaus Harnoncourt conducts Don Giovanni, with William Shimell, also Sun afternoon. Sat: Dutch National Ballet in choreographies by Forsythe, Balanchine, Brandsen and van Schayk (6255 455)

ANTWERP

De Vlaamse Opera 19.00 Silvio Varviso conducts Götz Friedrich's production of Der Rosenkavalier, restaged by Friedemann Steiner with décor by Jürgen Rose. The cast includes Mari Anne Häggander, Jeanne Piland and Artur Korn. Further performances on June 14, 18, 21, 27, 30 (233 6685)

FLORENCE

MAGGIO MUSICALE
Teatro Communale 20.00 Zubin Mehta conducts Lorenzo Mariani's new production of La forza del destino, with Stefka Evstatieva, Peter Dvorsky and Leo Nucci, also Sat and next Tues. Tomorrow and Sun in Teatro della Pergola: Le nozze di Figaro with Leila Cuberli, Joan Rodgers and Thomas Hampson (277 9236)

LONDON

THEATRE

● The Rise and Fall of Little Voice: new play by Jim Cartwright, directed by Sam Mendes for the National Theatre. Jane Horrocks plays the daughter locked in a world of her own, trying to survive the ambitions of a brassy, desperate mother, played by Alison Steadman. Currently previewing, opens on Tues (Cottesloe 071-928 2252).

● A Judgement in Stone: Sheila Hancock stars in a new musical thriller based on the novel by Ruth Rendell. Runs till July 4 at the Lyric Hammersmith, which also has a studio production of The Master and Margarita, adapted from the novel by Mikhail Bulgakov (First Call 071-836 3464).

● Déjà vu: John Osborne's new play is directed by Tony Palmer, with a cast led by Peter Egan (Comedy 071-867 1045).

● Grand Hotel: the American touring production of the Tony Award-winning musical, directed by Tommy Tune. Limited season of ten weeks. Now previewing, opens on Tues (Dominion 071-413 1411).

● Sienna Red: Stephen Poliakoff's new comic drama takes place in a DIY store. Peter Hall directs. Now previewing, opens on Wed (Albery 071-867 1111).

● Six Degrees of Separation: Phyllida Lloyd directs a production of the play by John Guare which has been a sell-out success at New York's Lincoln Center. Now previewing, opens next Thurs (Royal Court 071-730 1745).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC

Covent Garden 20.00 Midland Bank Proms: Christoph von Dohanyi conducts Der fliegende Holländer, with James Morris and Julia Varady. Tomorrow: La bohème. Sat and Mon: Samson et Dalila with Domingo (071-240 1066)

Coliseum 19.30 Verdi's Falstaff with Benjamin Luxon in title role, also Mon. Tomorrow: Monteverdi's Ulysses. Sat: Madam Butterfly (071-836 3161)

Royal Festival Hall 19.30 First UK appearance of Swing legend Artie Shaw. Sat: singer/guitarist Richard Thompson. Sun: Leonard Slatkin conducts the Philharmonia (071-928 8800)

Queen Elizabeth Hall 19.00 David Freeman's Opera Factory production of The Coronation of Poppea, also Sat and Mon. Tomorrow: Mark Wigglesworth conducts the Premiere Ensemble in first British performance of Tristan Keuris' Michelangelo Songs (071-928 8800)

Barbican 19.45 An evening of Glenn Miller, Gershwin and Cole Porter. Tomorrow: Salvatore Accardo plays Tchaikovsky's Violin Concerto. Sat: John Williams with Attacca. Sun afternoon: Dietrich Fischer-Dieskau. Sun evening and next Thurs: Nigel Kennedy (071-638 8891)

PARIS

Palais Garnier 19.30 Marcello Viotti conducts Dario Fo's Amsterdam production of Il barbiere di Siviglia, with a cast including Gino and Louis Quilico, Jean-Luc Viala and Jennifer Larmore. Runs till July 5, next performance on Sat. Tomorrow: ballets by Neumeier, Petit and Lander (4017 3535). Sat in Châtelet: Wozzeck (4028 2840). Sun in Opéra Comique: Rossini double-bill (4286 8883)
Opéra Bastille 19.30 Le nozze de Figaro with a cast including Margaret Price and Tom Krause. Runs until June 25, next performance on Sat. Tomorrow: Marek Janowski conducts Bruckner's Sixth Symphony (4001 1616). Tomorrow in Salle Pleyel: Armin Jordan conducts a concert performance of Don Giovanni, with Alan Titus (4561 0630)
Théâtre de la Ville 20.30 Cullberg Ballet, also tomorrow and Sat (4274 2277)

FESTIVAL DE SAINT-DENIS
Saint-Denis, a northern suburb of Paris, this month hosts a series of concerts by major international artists. Kent Nagano conducts the Orchestre de l'Opéra de Lyon in tonight's popular programme of Saint-Saëns and Debussy at the Pavillon de Musique.

Tomorrow, Katia Ricciarelli sings opera arias with the Sinfonietta de Picardie conducted by Patrick Fournillier. Fri and Sat: two one-act operas by Milhaud.

Next week: song recitals by Nicolas Rivenq and Nathalie Stutzmann, plus two performances of Honegger's Le roi David. The festival runs till July 8 (4243 3097)

PRAGUE

Martin Turnovsky conducts the Czech Philharmonic Orchestra in works by Novak, Britten and Ravel, tonight and tomorrow at the Smetana Hall (231 9164). The National Theatre repertory includes La bohème tonight and The Bartered Bride on Sun. The Prague State Opera (formerly Smetana Theatre) has Ambroise Thomas' Mignon tonight, Tosca tomorrow, Otello on Sat and La traviata on Sun.

● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714) and theatre box offices.

UTRECHT

Vredenburg 20.15 Simon Rattle conducts the Rotterdam Philharmonic Orchestra in three fragments from Berg's Wozzeck (Elise Ross) and Bruckner's Seventh Symphony. Repeated tomorrow in Rotterdam and Sat afternoon in Amsterdam (314544)

ZURICH

Opernhaus 20.00 John Cranko's production of Romeo and Juliet. Tomorrow: Rigoletto. Sat: Die Zauberflöte. Sun: Ralf Weikert conducts first night of Cesare Lievi's new production of Capriccio, with Gabriele Lechner, Roland Hermann and Olaf Bär (also June 16, 18, 21, 24, 27, 30). Mon: song recital by Edita Gruberova. Next Sat: Carmen with Baltsa and Carreras (262 0909)
Tonhalle 19.30 Pinchas Zukerman is conductor and violin soloist with the Tonhalle Orchestra in works by Haydn, Neikrug and Beethoven. Tomorrow: Zukerman recital (201 1580). Sat and Sun: Anne Sophie Mutter and Yuri Bashmet play Mozart with Collegium Musicum Zurich conducted by Paul Sacher (261 1600)

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(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Thursday June 11 1992

Doubts about Mr Delors

THE WEEK that has passed since the narrow rejection of the Maastricht Treaty by the Danish people has generated far more heat than light. This was inevitable. But light there has been, nonetheless. It seems clear, first, that the European Community cannot make progress without ratifying something not too different from the Maastricht Treaty; second, that some modifications to, or reinterpretation of, that treaty may be needed; and, third, that securing the necessary ratification will be difficult.

In so delicate a situation, many might wish for a cessation of normal business, while the EC grapples with its internal crisis. The EC has no such luxury. Two pieces of business, in particular, are so interlinked with hopes of ratification that they must be confronted head on. These are the futures, respectively, of the EC budget and of Mr Jacques Delors.

Mr Delors has been the principal protagonist of "more Europe" since his appointment in 1984. A far-sighted, yet practical visionary, nobody, be he devoted friend or enraged foe, can fail to respect his clarity and his courage. But he has made enemies, partly because of his zeal for the cause, but also because of the way he has lectured ministers and heads of government as if they were children.

He has lost none of his outspokenness. Yesterday in his speech to the European Parliament he chided the finance ministers of the richer EC nations for their failure to accept the fiscal implications of the Maastricht commitment. "There cannot be political union," he opined, "if it is not founded on a bloc which is economically and socially unified and coherent."

Debatable view

The economics of this view are debatable. An economic and monetary union can be combined with huge discrepancies in standards of living, provided differences in productivity are reflected in wages. But the politics are rather different. Poorer countries on the periphery of Europe insist that a political union implies a commitment to narrowing of income differences. They also insist that the pain of inflationary convergence and lower fiscal deficits needs to be eased if their still fragile polities are to survive the strain.

They are quite probably right. It is, in any case, difficult to accept that the budget increase Mr Delors is proposing, from a ceiling of 1.2 per cent of the EC's gross national product to one of 1.37 per cent, can be a serious obstacle. Having swallowed the camel of economic and monetary union, the finance ministers are straining at gnats.

Flood of directives

As so often before, Mr Delors is doing little more than pointing out the logical consequences of the governments' own purposes. The same applies, as he noted, to the flood of directives, most of which have been necessitated by the single market programme. Even where the EC has most irritated particular member states – over fiscal harmonisation, for example, or the social charter – it has done so only as the mouthpiece for other governments.

Even if Mr Delors has done little more than try to put the agreed goal of European union into practice, his reappointment for a further two-year term is not necessarily wise. The problem now facing the EC is how to secure ratification of a treaty that the Danes have already rejected. Failure to secure a treaty at all would be disastrous for the EC's credibility. But reopening the treaty would take a great deal of time and might fail altogether.

The most plausible strategy for getting over the present quagmire rests on making the notion of "subsidiarity" more credible. The British are not alone in objecting to the way the Commission probes into the "nooks and crannies" of national life. German officials are saying the same thing, partly to bring the Danes back into the fold.

Mr Delors speaks the same language. He told the Parliament that he wants to make the EC more open and accountable, to secure extension of respect for national diversity and to clear up the debate about sovereignty. This is, indeed, the right way forward. The question is whether Mr Delors, a man inescapably, however unfairly, identified with the aggrandisement of Brussels, can convince the parliaments and peoples of Europe of this apparently new direction. What Mr Delors says is, as always, worth listening to. The question governments must ask is for how long he can remain the best person in the EC to say them.

Collor comes down to earth

WHEN the dignitaries leave Rio de Janeiro this weekend after their deliberations on saving the earth, their host should return to more mundane matters of state: persuading a recalcitrant Congress to move on economic reform.

President Fernando Collor's economic programme hangs in the balance. Success on a variety of fronts is vital, the most significant being the passage into law of a comprehensive tax reform proposal, which is vital for long-term stability in government finances.

Fiscal consolidation is necessary to tame inflation, now running at around 20 per cent a month. Without that, the conditions for a resumption of growth – the only answer to the country's pressing social problems – will not exist.

In April, the president gave himself a chance to break the political deadlock that has so far hampered his administration's economic reform efforts. His brother's recent allegations of corruption and drug abuse against the president may regrettably have set this process back.

The group of politicians Mr Collor brought into his cabinet in April has given the president the potential to deal more effectively with Congress, where he has lacked support since he took office in 1990. In doing so, however, he embraced traditional politicians for whom he expressed distaste in his presidential campaign.

New-found supporters

There are worries that this accommodation of old-style politicians will be accompanied by a return to old-style politics. The test of this will be whether in coming months public funds are distributed to the regions where the administration's new-found supporters are located, ahead of important local elections in October. This would compromise the government's fiscal policy.

However, the credibility of the policy should be enhanced by the continuation in office of economy minister, Mr Marcilio Marques Moreira, and his team. It has helped gradually to rebuild Brazil's damaged image with foreign financial institutions, including international banks and the International Monetary Fund, with which the government has a stand-by loan programme.

Continued fiscal stringency is needed not least to maintain the support of the IMF. Without it, a potential debt reduction accord now being discussed with international banks would unravel. That accord is needed to bring a boost in confidence which should help to lower domestic interest rates. This, in turn, would reduce the crippling cost of Brazil's internal debt, which feeds both the fiscal deficit and inflation.

Purse strings

The economic team held tightly to the purse strings in the first three months of this year, allegedly compressing government expenditure by 60 per cent in real terms from the same period last year. Even then, the government failed to meet the targets set for the first quarter of its IMF programme. The government says it is confident of meeting its half-year IMF targets. Although revenues should now be rising as delayed corporate tax payments start to flow, these are likely to be insufficient to avoid further drastic expenditure compression, which is neither sustainable nor desirable for long.

For a more permanent solution, congressional action is needed, first to reform and simplify the tax system, also making clearer the divisions of responsibility between federal and state governments, and second to reform the 1988 constitution, which at present makes Brazil almost impossible to govern. This would permit the necessary rationalisation of the state, allowing the government to fire employees, for example.

By lowering tariffs and other measures, the Collor administration has, despite early mistakes, begun to shake up Brazil's cosseted, inefficient and state-dependent private sector. But progress is dependent on Mr Collor's breaking the political stalemate.

If he fails to do that this year, his chances of doing so in the last two years of his presidency will be remote. By then, the window that has opened for a resolution of Brazil's external financial difficulties may well have closed: the support of the IMF and what sympathy exists among international banks will not be extended indefinitely.

No shelter from the storm

Imposition of UN sanctions against Serbia is exacerbating fears that the civil war will spread to the republic, says **Judy Dempsey**

In the balmy heat of Belgrade, the Serbian capital, the impact of the United Nations sanctions imposed on Serbia and its ally, Montenegro, a week ago appear as far removed as the fighting and killing in neighbouring Bosnia-Hercegovina.

Young and old sip Turkish coffees and smoke western cigarettes in the outdoor cafés. Smartly dressed drivers in their BMWs and Mercedes speed up and down the main boulevards. There is little to disturb the peace in Belgrade. Unlike Croatia, or Bosnia, war has never touched the people of Serbia.

Yet many in the capital are afraid that the republic will soon be engulfed in civil war – a fear heightened by the imposition of sanctions. Those who have the money are beginning to stockpile food and other provisions in their cellars. Petrol is now rationed, with private car owners limited to 30 litres a month per car. Prices of basic goods have doubled in the past week. The country's steel mills are running out of coke and iron ore imported from Latin America and eastern Europe. Even the mint in Serbia is unable to print money. It is running out of dinars, the unit of currency, because the watermark and paper are imported from the republic of Slovenia, which has also brought sanctions against Serbia.

The sanctions, which include a complete trade embargo on everything from textiles to cigarettes, the banning of all flights in and out of Serbia, a freeze on the republic's assets held abroad, and the reduction of diplomatic staff in embassies, were imposed by the UN on Serbia for two reasons.

First, they were aimed at forcing the Serbian president, Mr Slobodan Milosevic, to order Serb irregulars and the the rump Yugoslav army to stop fighting in Bosnia-Hercegovina. Second, in a less explicit way, western governments hoped that sanctions would lead to the overthrow of the Milosevic regime through anti-government demonstrations, and the subsequent installation of a pro-European democratic government in Belgrade.

So far, there are no signs that the guns will fall silent in war-torn Bosnia. Serbian irregulars continue to expel Moslems from villages with the aim of creating ethnically pure regions. Croatian forces continue to try to form bridgeheads between Croatia and Croat-populated areas of Bosnia. The population of Sarajevo, the Bosnian capital, is on the verge of starvation following a two-month siege imposed by the Serb irregulars and the Yugoslav army.

Even if there is a formal end to the war, the desire for revenge among Bosnia's three ethnic groups means that the killing is likely to continue – although perhaps not so systematically – in that republic.

In an attempt to distance Serbia from the war in Bosnia, to end the UN sanctions, Mr Milosevic is now disowning the Bosnian Serbs, whom he once supported. He has said that Serbia is not involved in the civil war in Bosnia-Hercegovina. His government ministers repeatedly claim that the sanctions are unjust because Serbia is not the only guilty partner.

At the same time, the sanctions have not yet galvanised the opposition into effective action against the Milosevic regime. This is because the opposition is fragmented between nationalists and liberals, and both groups are too weak to attract public support in their attempt to topple Mr Milosevic.

For example, the armed, ultranationalist Serbian Radical party, led by Mr Vojislav Seselj, regards as traitors anyone who opposes the creation of a Greater Serbia, who wants a free press, or who advocates rights for the ethnic minorities in Serbia. The party enjoys considerable support in the countryside and in parts of Belgrade.

Another opposition movement, the Serbian Renewal party, based in one of Belgrade's more fashionable suburbs, is a motley collection of nationalists, conservatives and monarchists. Led by Mr Vuk Draskovic, one of the few Serb politicians who spoke out against the war in Croatia and Bosnia, the Renewal party also believes in a Greater Serbia and the re-establishment of the former Yugoslavia on the lines of a confederation.

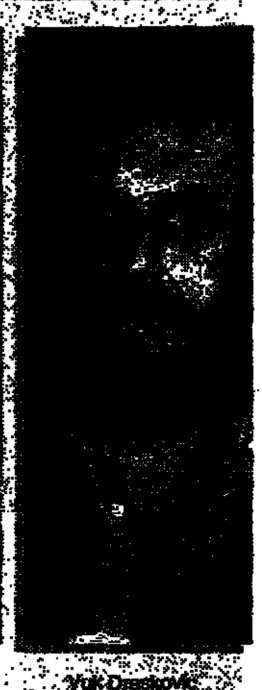
Hopes that the Democratic party, the most liberal of all the Serbian opposition movements, will emerge as a viable force against the Milosevic government remain misplaced.

Politically, its leaders want a democratic Serbia. But Mr Zoran Djindjic, one of the Democratic party's most articulate leaders, says that speaking openly about democracy in Serbia – which includes granting ethnic rights to the Albanians in Kosovo, the Moslems in Sanjzak in south-western Serbia, and the ethnic Hungarians in Vojvodina, northern Serbia – would amount to electoral suicide.

"The civil society is very weak here. Serbs do not reflect about democracy and its implications," said Mr Djindjic. A senior Democratic party official said: "Serbs simply do not care about the ethnic minorities, particularly the Albanians. They despise them."


Slobodan Milosevic
Serbian president


Vojislav Seselj
Serbian Radical party


Vuk Draskovic
Serbian Renewal party

Nevertheless, in spite of such evidence of a weak attachment to democratic political traditions in Serbia, the Democratic party wants to form a transitional government of national consensus which would include Mr Milosevic's ruling Serbian Socialist party. Although members of the Socialist party are beginning to try to distance themselves from Mr Milosevic's regime, his support is still strong enough for him to dictate the terms of any power-sharing arrangement.

Mr Djindjic said last week a coalition government would prepare for free, democratic elections, monitored by international observers. He admitted that, by including socialists in any coalition government, the Democratic party's supporters would accuse it of selling out to the Milosevic regime. He also said that the Serbian president would try to use that government to remain in power, or even to pre-empt efforts to bring democracy and stability to the republic by fomenting civil war.

"The ingredients for war are all here in Serbia," explained Mr Djindjic. He said thousands of Yugoslav federal army officers and their families had withdrawn into Serbia when they were forced to leave the other republics under the terms of the UN agreement in Croatia; 500,000 refugees had fled to Serbia from Croatia and Bosnia-Hercegovina; and the extreme nationalists were jockeying for power.

Given this atmosphere of recrimination and rivalry, the Democratic party is increasingly concerned that any delay in setting up a coalition government will give Mr Milosevic an opportunity to orchestrate unrest in order for the socialists to remain in power.

"Milosevic always finds a crisis to generate a conflict as a means of deflecting Serbia's problems," explained Mr James Gow, a specialist on the Yugoslav army at King's College, London.

But unlike previous occasions, Mr Milosevic can no longer rely on fomenting unrest in neighbouring republics to deflect attention from the republic's own problems: unemployment is about 20 per cent, industrial production is down about 20 per cent in the first quarter of this year compared with the same period of 1991; inflation is 150 per cent a month, on top of a rate of 1,000 per cent for 1991.

Desperation at being boxed in may, however, make the Serbian president more unpredictable in the measures he takes to stay in power. United Nations peace-keeping troops have been deployed in Croatia. The Yugoslav federal army has withdrawn from the independent republic of Macedonia. What remains is Kosovo, which is the president's trump card, or potentially his Achilles' heel, as he calculates his next move.

It was in this wretchedly poor province of 2m ethnic Albanians that Mr Milosevic began his rise to power in 1987. By using the rhetoric of nationalism, he accused the Albanians of persecuting the small Serb and Montenegrin ethnic minorities.

By exploiting Serbia's historical claim on Kosovo, once the cradle of Serbia's medieval empire, he rallied enough support to incorporate the province forcibly into Serbia in 1990. Since then, Kosovo has been run by Belgrade like a police state, and the civil rights of the Albanians – who make up 90 per cent of the population – have been suppressed.

Despite this violation, the ethnic (Moslem) Albanians, led by Mr Vettin Surroi and Mr Ibrahim Rugova, have adopted a policy of non-violence. But western diplomats doubt that this policy can continue.

"The tension is building up in Serbia because it is sitting on a time bomb – in Kosovo, its own back garden. Milosevic cannot hope for any stability in the new Yugoslavia as long as he continues to repress the Albanians," a western diplomat said.

But Serbia is saddled with a paradox: no party in Serbia can win at the ballot box if it guarantees to protect the civil rights of minorities in the republic – including the ethnic Albanians. Yet no stability in Serbia is possible without granting ethnic rights to the minorities.

The possibility of war in Kosovo is of increasing concern to western governments, particularly the US. American diplomats say that Albania would support its fellow ethnic Albanians in Kosovo if nationalists around Mr Seselj or Mr Milosevic provoked a war in the province, or indeed, if the ethnic Albanians themselves attempted to rebel against their Serb government.

In such an event, the ethnic Albanians in neighbouring Macedonia, who make up 20 per cent of the population, and the government of Turkey would probably support Kosovo as well: "Turkey has had enough of the slaughter of their fellow Moslems in Bosnia. They won't stand idly by next time. They might arm the ethnic Albanians," a diplomat said.

However, few diplomats, or liberal intellectuals in Belgrade, can see a way out of the impasse. They fear that instability triggered by an outbreak of war in Kosovo will spread throughout the Balkans in a conflict which could last for many years.

Western governments have so far ruled out military intervention, either in Sarajevo or to protect Kosovo's Albanians, because they are unsure what such a move would achieve. They are not even certain that sanctions, even if they stay in place against Serbia for many months, will force the Serbian leadership into starting negotiations with its ethnic Albanians. With Mr Milosevic at the helm, and ultranationalists waiting for him to falter, the depressing likelihood remains that things will get worse rather than better.

BOOK REVIEW

A surplus of gloom

JAPAN: THE COMING COLLAPSE
By Brian Reading
Weidenfeld & Nicholson. £18.99. 310 pages

Contemporary western writing about Japan tends to fall into a number of distinct genres. There is the American school of Japan-bashing, which relates Japan's unrelenting quest for world economic domination and, in extreme manifestations, how this will lead to war between Japan and the US. At a somewhat subtler level are the revisionists, who seek to describe how Japan organises its economic and social affairs and why this leads it to indulge in unfair international trading. Conversely, there are those writers who simply marvel at the phenomenon that is Japan's economy and want to learn from its success.

Japan: The Coming Collapse is, as its title suggests, none of the above. It falls into another genre which appears to be just coming into vogue: the doomsday scenario. The startling thesis advanced by Brian Reading, a former economics editor of The Economist, goes like this: the massive deflation of asset values in the Tokyo stock and real estate markets of the past two years is merely a taste of worse to come; the banking system is on the point of collapse; growing trade friction with other industrialised countries will help to tip the economy into a protracted recession. Worse yet, he argues, governments will fail to produce the necessary political, economic and social reforms, and Japanese politics will move from its current consensual paralysis to a state of confrontation and anarchy. In short, in the book's words, "this is no economic superpower bent on world domination. It is a hara-kiri economy set to self-destruct."

Reading's analysis is as beguiling as it is compelling. Not the least of its attractions is that it appears to point to a conclusion in which many of us secretly want to believe: that the Japanese economy is so fundamentally flawed that it will soon collapse under the weight of its own contradictions, and in the process become a less daunting competitor. There is only one problem: it is far from clear that the analysis will come true.

To be sure, the Japanese economy is not in the best of health right now. Japanese banks are labouring under a bad-debt burden that will take years to sort out. Bankruptcies are at record levels. The stock market is punch-drunk, and property is still going south. The once-invincible carmakers and electronics companies are struggling. The trade surplus is soaring again and Japan's trade partners are looking for weapons with which to lower it. The question is whether this all adds up to Reading's apocalypse, or to a transformation that is less cataclysmic, more complex, and – dare one say? – less susceptible to description in publisher-pleasing one-liners.

Reading is at his most plausible and interesting when he is seeking to diagnose what is demonstrably wrong with Japan's economy and society: the defects in its tax system, which suffers rampant evasion and has long failed to collect adequate revenues for the government; the absurdities of its land-use policy, whereby most Japanese city-dwellers are forced to live in little boxes, while urban farmers are subsidised for growing rice on minuscule plots next door; the ills of money politics, and the failure of the political system to cater to the needs of Japanese consumers as well as producers.

Where he is less convincing is in suggesting that Japan's problems in these respects are of a different order from those of many other industrial countries. And where he is not convincing at all is in predicting that all these factors will inevitably combine with the hangover from the 1980s boom to produce an economic and, finally, political mega crisis. The injection of a superficial chapter covering Japan's history, from the beginning to 1945, does not help. Nor does the repeated misspelling of the name of the Federal Reserve chairman, Paul Volcker. The troubling fact is that signs of the meltdown Reading describes are hard to discern in Tokyo. Yes, there is a severe economic slowdown, and yes, the economy probably is in for a prolonged period of slow growth even when it starts to recover. Yes, the financial system is in trouble and will not be a source of cheap and easy credit again for many years to come. Yes, the political system is corrupt – probably irredeemably so.

But Japan's is scarcely expected to be the only slow-growth economy in the 1990s, and it will continue to benefit more than some others from its high level of capital investment and savings. And while it is true that investment yields have been miserably low in Japan for years, largely as a result of expectations of never-ending capital growth, it is not automatic that the end of rising share prices will cause investors to demand a quantum leap in yields, as Reading suggests.

In short, like all polemicists, Reading overstates his case. This is a shame, because among the prophecies of doom are some telling points about the way Japanese society is changing and in some respects becoming more like the rest of us. The task of writing an authoritative and considered economic history of post-war Japan in English has yet to be accomplished.

Andrew Gowers

ECONOMIC VIEWPOINT

Emu: time to go back to evolutionary approach

By Samuel Brittan

Obviously Bruges Group supporters cheered the result of the Danish referendum, because they dislike "Europe", or fixed exchange rates, or supranational bodies.

But it might be worth explaining why I should have given at least two cheers, as someone who favours an eventual European currency, and has no hang-up over a European political authority, so long as its functions are confined to currency, external and internal law and order, and the other *classical functions* of a limited federal government. Central European countries would have no difficulty in participating in a minimalist *federation of this kind*.

The best account I can give of my attitude is by recalling an occasion when a Euro enthusiast was asked about a *remark of Ludwig Erhard, then* German chancellor. Having made sure that the Chatham House rules of non-attribution were being observed, the Eurocrat said: *"I was talking about* serious politicians." The Danish referendum is a victory for those of us who are not serious politicians in the bureaucratic, *institution-building* sense.

It would nevertheless be difficult for me to vote "no" in a UK referendum on Maastricht, partly because of my support *for an eventual* common currency, and partly because most of the objectionable features in Community practice – such as interference in working hours *and conditions* of employment or Commission "environmental" directives on road and rail projects – are justified by their promoters with reference to the original Treaty of Rome or the small print of the Single European Act. Maastricht, by comparison, is harmless. The prime minister himself defends it in terms of what it omits. It is not worth the career of a single cabinet minister.

Having said this, the Danish result is a still a tonic for those of us who are much keener on the exchange rate mechanism (ERM) than economic and monetary union (Emu). For the latter, as put forward from Brussels and Paris, was always accompanied by proposals for vast regional and structural funds to build cathedrals in the desert and a "social dimension", which was anti-social and job-destroying. These plans have received a setback this week as a direct result of the Danish referendum.

With the automatic Maastricht timetable now in trouble, it is clear that the best way to a single European currency is through a strengthening of the ERM. There was, indeed, once a British Treasury paper taking a similar line, which warned that "administratively imposed changes would inevitably fail to foresee *future developments*".

On the other hand, the paper argued, the strengthening of the internal market and "convergence on price and exchange rate stability" would lead to rarer realignments, and smaller fluctuations within the ERM bands. With minimal exchange rate uncertainty, and reduced costs of switching between currencies, all Community currencies would become effectively interchangeable; and the system "could evolve into one of fixed exchange rates".

Maastricht is harmless – not worth the career of a single cabinet minister

I am citing a British government paper entitled An Evolutionary Approach to Economic and Monetary Union, published in November 1989. The paper was conceived in Nigel Lawson's Treasury, but published when John Major had taken over as chancellor. It was thus an orphan.

The earlier chancellor had been attracted by Friedrich Hayek's notion of competing currencies, but competing within their ERM bands. John Odling-Smee, who headed the team of officials then in charge, came however to the conclusion that, except during *Latin-American* type hyperinflation, most people would stick for most transactions to the currency with which they were familiar. His idea was *competing monetary policies* in which the country with the greatest non-inflationary credibility would have the lowest interest rates. But there was room for the two ideas jostling side by side.

What sticks in my memory, however, is the contemptuous way with which the idea in any guise was shrugged off by the continental establishment. Jacques Delors and Karl Otto Pohl, then head of the Bundesbank, joined together in scoffing at choice among currencies. (A short train ride to Geneva or Salzburg would have shown them how this choice was exercised in their own backyards.) A European monetary union, they both averred, *had to have* a single currency, and that was that. In so doing they both exaggerated the importance of legal tender laws and overlooked the extent to which a new European unit would have to earn its place rather than be imposed by fiat or treaty.

The scoffing was also to be heard in the UK. Sir Michael Butler, former British representative in Brussels, dismissed the Treasury paper because it did not involve a new institution and did not require an amendment to the Rome Treaty. His enthusiasm for the hard Ecu (invented not by him but by Paul Richards, a thoughtful and genuinely charming economist-turned-banker) derived mainly from the fact that it did require an institution which Britain could propose at an international conference and thus remain at the top table.

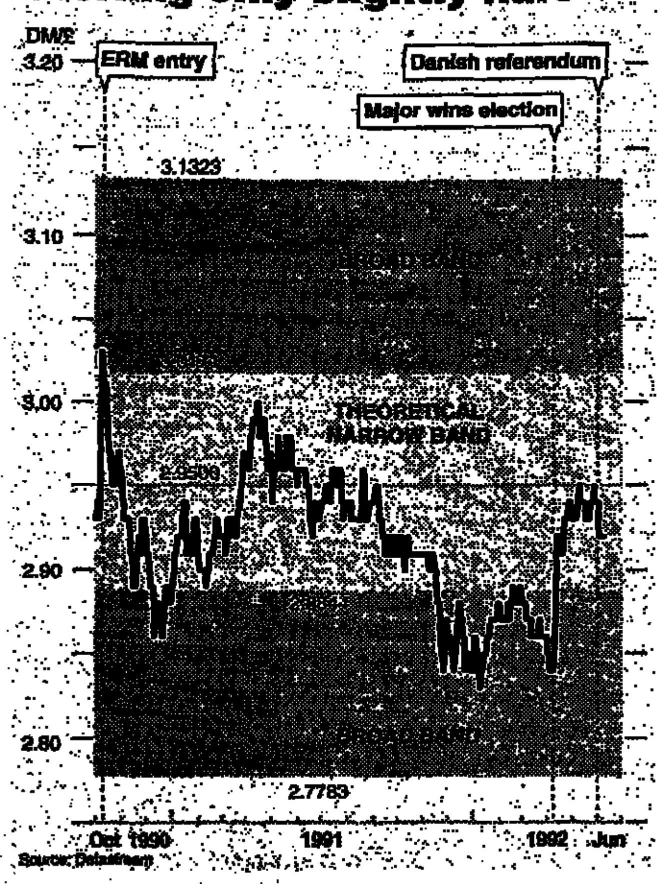
I always found, however, that the hard Ecu, treated as a serious economic proposal, involved excessively long claims of hypothetical reasoning to form an easy judgment upon; and it would only be confusing to revive it now.

The evolutionary route to monetary union was always the one most likely to work. It may now become the only one. So far the Danish referendum has given only a tiny jolt to the credibility of the ERM. Sterling has lost only a small proportion of the gains which it received after John Major's surprise election victory. The French franc has also fallen by a couple of centimes against the D-Mark. Sterling and franc bonds have similarly suffered a minuscule blow. The big jump has been in Italian bond yields, deservedly so given that Italian participation in Emu would have flown in the face of financial reality. ("In contrast to the British, we wanted the Germans to sort out our financial affairs," said an Italian friend.)

But there is a problem. The French willingness to bear the apparent sacrifices of sticking to an unchanging D-Mark parity was linked to the goal of a political Europe in which France would have a much greater say. Even in the UK early advocates of ERM membership saw it as a way of imposing monetarism by the external backdoor on the Tory "wets". A Big Idea is still needed, in default of the Maastricht ambitions, to hold European currencies together.

There is such a big idea, but it would require a Gladstone to give it demagogic appeal. It is that of limited government based on the rule of law and sound money, and with as much power as possible being exercised by the people at the grass roots. So long as the idea is called "subsidiarity" and remains in Eurospeak, it will not be powerful enough to withstand the demagogues and interventionists who still hanker after devaluations.

Sterling only slightly hurt



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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Negative equity overstated

From Mr Adrian Coles.

Sir, The estimate of the number of borrowers with negative equity, which early drafts of a Phillips and Drew report suggest is between 1.5m and 2m – and which you reported on *June 6 ("Homes that fail to* hold their value") – ignores four crucial factors.

- The report assumes that anyone obtaining a mortgage *of 90 per cent of the* purchase price in, say, 1988 and who has since seen house prices fall by more than 10 per cent, now has negative equity. However, 750,000 council houses were sold at an average discount to market value of 50 per cent between 1987 and 1991. Sitting tenant council house purchasers would need to experience price reductions of at least 50 per cent before entering negative equity statistics.
- The report assumes no one who purchased between 1987 and 1991 has subsequently moved. This is an extreme assumption which clearly exaggerates the number of borrowers with negative equity.
- The report assumes that borrowers do not make any repayments. There has been a sharp increase in the flow of regular *repayments, the figure for* building societies alone rising from less than £2bn to more than £4.5bn between 1989 and 1991. The amount of lump sum repayments not associated with redemption has also more than doubled to more than £2bn over the same period.
- Some borrowers do have *negative equity. However, con*centration on the relationship between one asset (home) and one liability (mortgage) tells us nothing about the ability of *borrowers to move home. In* many cases, especially in northern England, the extent of negative equity can be measured in hundreds, rather than thousands of pounds. A major weakness of the report is its inability to quantify the cash sums involved.

There are other technical *comments that one might* make on the report. Overall, however, the 1.5m estimate of borrowers with negative equity significantly over-estimates the *true situation.*

Adrian Coles,
head of external relations,
Council of Mortgage Lenders,
3 Savile Row, London W1X 1AF

EC leaders failed to explain subsidiarity

From Mr Stanley Crossick.

Sir, "Unnecessary in its goals, obscure in its language, incompetent in its detail, the Maastricht Treaty has few redeeming features," wrote Martin Wolf ("A break in the march of history", June 6). His *article fails to support such an* assertion.

Moreover, in declaring that "nothing in historical experience suggests such a structure is feasible, let alone desirable," Mr Wolf reveals an unwillingness to learn from, or even understand, history.

Martin Wolf is, however, right in stating that the treaty is basically about power – but not the abuse of power nor the balance of power.

Recognising the long-term limits of intergovernmental co-operation, the Maastricht Treaty continues the policy of European integration and interdependence.

Moreover, it introduces the principle of subsidiarity, ie that the Community shall act "only if and in so far as the objectives of the proposed action cannot be sufficiently *achieved by the member states* and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community."

Unfortunately, Community leaders have failed to explain to the people – let alone convince them – that the principle of subsidiarity guarantees that there will in future be no unnecessary interference from Brussels.

Stanley Crossick,
chairman,
Belmont European Policy Centre,
Brussels

Referendum a denial of sovereignty

From Mr Bryan Cassidy MEP.

Sir, As one who is far from disconcerted by the result of the Danish referendum on Maastricht, I nonetheless find it odd that in the UK those who are now shouting the *loudest for a referendum* are those who used to be staunch defenders of the sovereignty of the House of Commons.

Isn't a referendum a denial of the sovereignty of parliament?

Bryan Cassidy,
MEP Dorset East and Hampshire West,
The Stables,
White Cliff Gardens,
Blandford,
Dorset DT11 7BU

Riposte from the Palace?

From Mr Brian H Gill.

Sir, An error clearly crept into the caption of your photo story on page 8 on June 9 ("Vanguard").

Surely the military convoy led by a Scorpion armoured vehicle was on its way to News International's Wapping plant as the Palace's considered *response to the weekend's* inflammatory stories.

Brian H Gill,
261 Grove Street,
London SE8 3PZ

Minister has not dealt with many problems of contracting out

From Ms Elizabeth Symons.

Sir, May I add a few points to your balanced and thoughtful editorial on the "Long road to Whitehall reform" (June 3), without falling into the category *of "the reservations so* skilfully expressed in Whitehall"?

Representing almost 80 per cent of the senior civil servants *in Whitehall, the FDA* welcomes minister of public service William Waldegrave's support in our campaign for greater openness which we *have pursued since 1986, often* in opposition to the government and Conservative backbenchers.

But Mr Waldegrave did not deal with many of the serious problems underlying the contracting out of central government services.

For example, the issue of impartiality. We are not told *whether each part of the civil* service to be contracted out will have its own "watch-dog" body, but an enormous proliferation of such regulators can *be anticipated if public confi*dence in impartiality is to be maintained.

Or confidentiality. How will the private sector guarantee *confidentiality when it is deal*ing with our tax affairs? How many businesses in the commercial arena want their business competitors to be fully conversant with their financial affairs?

Then there is the risk of conflicts of interest. For example, a legal firm may be in difficulty when dealing with a cus*tomer in a manner which is* prejudicial to the public interest, while at the same time retaining a contract for government work.

Finally, at senior levels, those in the private sector are consistently very much better paid and more expensive than their civil service counterparts. Barristers' advice in the civil service costs about £60,000 a year whereas the private sector pays well over double that figure.

Sadly we lack a real public *debate. The contracting out of* individual parts of the civil service will need no parliamentary debate, so the necessity of an independent assessment of *real value for money will* become vitally important.

We have suggested to William Waldegrave that all tenders for contracting out work *should be referred to the comp*troller and auditor general. We hope our suggestion, which is designed to be helpful, will receive a fair hearing.

Elizabeth Symons,
general secretary,
FDA,
2 Caxton Street,
London SW1H 0QH

OBSERVER

Name on the line

■ Psst...fancy owning the Greenwich meridian? A three-year lease on the world's best known line is being offered by the *Old* Royal Observatory in London's Greenwich Park, at £150,000 per annum.

Besides being a snip compared with the Jubilee line extension, the meridian isn't entirely imaginary. At least a few yards thereof are marked on the ground for tourists to straddle and be photographed with one foot in the western hemisphere and the other in the eastern. The hope is that some company might like to get its name in the picture by becoming the line's official sponsor, so helping to re-develop Greenwich's "museum of time".

The plan is to have nine galleries housing astronomical instruments and the like, some dating back beyond the observatory's foundation by Charles II in 1675, according to project chief Stephen Deuchar. "The work will cost £600,000. So we thought, since Accurist is now sponsoring British Telecom's speaking clock, why not the meridian?"

Well, perhaps so, Observer said. But whatever next – put Greenwich Mean Time itself on the market?

"How much a second d'you think we could get for it?", answered Deuchar.

Charmless

■ Like many British businessmen who were *schooled in the British* car industry of the 1960's, GrandMet's Sir Allen Sheppard shoots from the hip. Even so his minders must have winced at his explanation at yesterday's CBI corporate governance conference on why he doesn't have any women on his board.

Sir Allen said he would dearly love to appoint a woman with the qualities of Sir John Harvey-Jones or Sir Dick Giordano, two of his most famous non-executives. But any woman seeking to match them "would have to have an operation." His audience, liberally sprinkled with women, didn't see the joke.

Strategic choice

■ One question that has been intriguing London's community of strategic thinkers for the past eight months – where will Francois Heisbourg, the high-flying director of the International Institute for Strategic Studies, land next? – *seems to have* been resolved.

The bubbling 42-year-old Frenchman will not for the moment be launching himself into politics. *He's joining the* defence and space division of France's Matra group, as senior vice president, when he vacates the IISS post in October. *The former diplomat* and defence ministry adviser had a three-year spell with industry before, at state-controlled Thomson-CSF, but this will be a more senior job.

What will he be in charge of at Matra? Why, strategy, of course.

More whirlybirds

■ No sooner has Michael Heseltine returned *to the inner* circle of the cabinet than he has found himself mucking around with helicopters again. Let's hope he's luckier than he was last time.

Back in 1986, during the infamous Westland row, he lost his job and the strategic battle. Yesterday, he referred two bids for Maxwell's British International Helicopters to the Monopolies and Mergers *Commission. Although* President Heseltine has not chosen sides, it would be surprising if he was not secretly rooting for a victory *for the only unreferred UK* bidder, the management buy-out team operating under the unglamorous name of Vidhop Ltd.

"Every eight seconds, the US loses another acre of credibility"

Persistent

■ Not everyone at yesterday's Saatchi and Saatchi AGM seemed overjoyed by the hard work the advertising giant had put in getting the Tories re-elected. One questioner reminded chairman Maurice Saatchi that last year he had asked him if newspaper reports saying Saatchi was yet again *going to work for the* Conservative Party in the election were true. Maurice told him not to believe everything that he read in the press.

"I now read in the newspapers that Saatchi is going to work for Ross Perot in his bid to become US president. Is that true?", asked the questioner.

With scarcely a pause for breath, Maurice Saatchi said: "I am afraid the reply is the same this year, too."

Plane fair

■ Remember the fuss about John Major's clapped-out plane which shuttled him around central Europe last month? Well, liberal-minded Croats must think he is a wise, thrifty hero compared with their President, Franjo Tudjman.

Tudjman's sense of importance of a republic which is the size of Wales, reached new heights when the United *Nations, rather reluctantly,* decided to add Croatia's membership to the UN. Slovenia, and war-torn Bosnia-Hercegovina, joined *at the same time.*

While his neighbour from Slovenia, Milan Kucan bought a return ticket to New York without any fuss, and Bosnian *president,* Alija Izetbegovic had to remain in the besieged Bosnian capital of Sarajevo because it was too dangerous to leave, Tudjman pulled out all *the stops.*

He spent US dollars 18m on a new plane.

Riposte

■ Vociferous Labour MP Dennis Skinner's non-stop heckling was neatly countered by social security secretary Peter Lilley during the Commons debate on the Maxwell pensions scandal.

If the left-winger went on interrupting his speech, he said, Hansard's report of the debate would keep printing their two names one after the other. Wouldn't the repetitions of Lilley and Skinner give the Labour MP's fellow socialists the idea he was part of a capitalist partnership?

For a moment, at least, the heckler fell silent.

FINANCIAL TIMES
Thursday June 11 1992

Maxwells' involvement in MCC share buying is documented

By Andrew Jack and Robert Peston in London

DOCUMENTS which show for the first time that both Mr Robert Maxwell and his son Kevin were intimately involved in substantial purchases of shares in Maxwell Communication Corporation, one of their own public companies, have been obtained by the Financial Times.

Meanwhile, a director of a secretive Swiss trust, Mr Werner Rechsteiner, has broken his silence and admitted that transfers of MCC shares to his trust, which are at the centre of an investigation by the Serious Fraud Office, were made on the instructions of Robert Maxwell.

This is the first time Mr Rechsteiner has given details of the relationship between his mysterious trust, Yakosa Finanzierungs, and the Maxwell family.

The FT has also obtained a letter and seen a corroborating fax showing that Mr Kevin Maxwell was intimately involved in the purchase of 9m shares by Yakosa and a further 16m shares by Servex, another Swiss Trust.

The MCC purchases by Yakosa and Servex are the object of an investigation by the SFO into an alleged illegal scheme to support the MCC share price. The SFO is also investigating whether Mr Robert Maxwell or Mr Kevin Maxwell breached the Companies Act by failing to disclose the purchases of the shares by the Swiss trusts. If either had a financial interest in the Swiss trusts, the purchases should have been disclosed under company law.

The documents demonstrate that Bishopsgate Investment Trust, a private UK company controlled by the Maxwell family, provided £55.33m ($100.64m) on behalf of the two Swiss trusts so that they could pay for the MCC shares.

Goldman Sachs, the US investment bank, acted as broker to the deals. Goldman's lawyers are convinced that it acted properly.

Mr Rechsteiner yesterday broke the silence he has maintained since Robert Maxwell's death in November on the subject of his relationship with the Maxwell family. He said MCC share purchases had been "going on for some time" through Yakosa. He denied that the shares were bought for Yakosa's "own account". He said the shares were bought for other "foundations" and then "held for a certain time."

He also stressed that ownership of the MCC shares no longer rested with Robert Maxwell once they had been received by Yakosa: "Yakosa is owned by the Maxwell Foundation," he said.

Mr Rechsteiner refused to say who controlled the Maxwell Foundation, which is based in Liechtenstein, but said it was neither Robert nor Kevin Maxwell.

The FT has, however, obtained documents showing that Mr Kevin Maxwell was closely involved in the process of paying for 25m MCC shares on behalf of two Swiss trusts, Yakosa and Servex.

On May 29 last year, Mr Kevin Maxwell sent a fax to Mr Larry Wood, an executive director of Goldman Sachs, telling him that two parcels of 12.5m MCC shares each would be bought by the Swiss trusts with £55.33m provided by BIT, a Maxwell private company. The fax, signed by Mr Maxwell, said that the funds would be remitted to Goldman Sachs "by Bishopsgate Investment Trust PLC from its account at National Westminter Bank plc, 41 Lothbury". Two other faxes sent by Mr Kevin Maxwell to Mr Wood on the same day show that the former was equally involved in the other end of the transaction, the sale of the 25m shares.

The Swiss trusts bought the shares, using Goldman as broker, from two Maxwell pension funds, Maxwell Communication Pension Trustee (Works Scheme) and Mirror Group Newspaper Pension Trustee (Works Scheme).

Each pension fund sold 12.5m shares at a price of 219.78p a share, or £27.47m in total. At 6.29pm on May 29, Mr Maxwell sent the two other faxes to Mr Wood on behalf of the two pension funds.

As a director of MGPT and as a trustee of MCCPT, he told Mr Wood to pay each pension fund what it was owed to the NatWest account of BIT, which Mr Maxwell described as "nominee" for the two pension funds.

In other words, he told Mr Wood that the shares were being bought for the Swiss trusts with funds provided by BIT and that these funds should then be sent by Goldman back to BIT.

In the event, on May 31, Goldman received the £55.3m by wire transfer in its account at Barclays. Goldman then levied its commission and expenses on the deal of £385,000 and wired the remainder back to BIT's NatWest account.

NatWest seeks ruling Page 9

THE LEX COLUMN

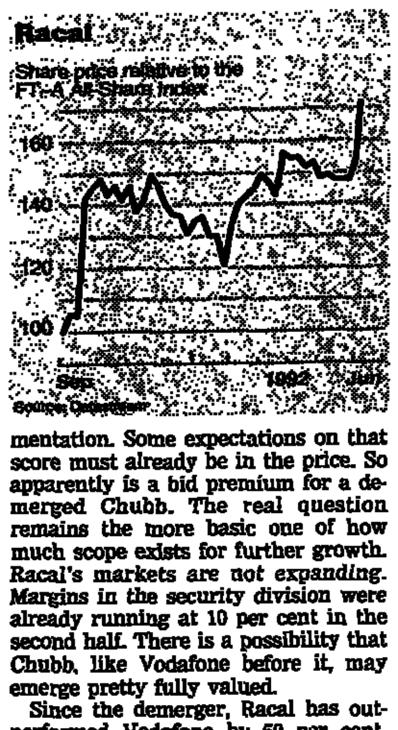
Qualifying assets

The stock market has long been taking property company asset values with a pinch of salt. But yesterday's announcement that the auditors Ernst & Young intend to qualify Regalian's report and accounts is nevertheless welcome for bringing the issue out into the open.

No doubt the firm's decision owes something to the self interest of the accountancy profession. Investors have been getting increasingly litigious of late – and not just on the far side of the Atlantic. So when a board of directors say that their assets are worth 105p per share and the market is only prepared to pay 22p (or 15p by yesterday's close) it is understandable that discretion should prevail.

Valuation, of course, has always been an inexact science and never more so than in current market conditions. The problem in the Regalian case is not just that there are few deals against which to measure the company's estimates, but the fact that the valuations have been carried out by the directors themselves. This is perfectly acceptable under accounting standards as they stand, but there is surely now a case for making independent valuations compulsory. Without this, further qualifications are inevitable, something which housebuilders and retailers as well as other property companies may care to ponder.

FT-SE Index: 2636.1 (+0.7)



Racal

Sir Ernest Harrison was evidently displaying unusual modesty last December when he forecast profits of £50m for Racal Electronics in 1991-92. Thanks particularly to a squeeze on working capital, the actual outturn was £6m higher than expected and debt has fallen by nearly half to £121m. As if that was not enough to justify an 8 per cent leap in the shares to 69p yesterday, a firm timetable has emerged for the Chubb demerger promised in the defence against the Williams bid.

It would be rash, however, to assume that the shares have a long way further to run. Racal is already trading nearly 30 per cent above the initial value of the Williams bid, and more than 10p above the level where Williams finally unloaded the stake it acquired. The historic multiple of 30 is slightly more than twice that of the sector as a whole.

Racal has shown with Vodafone that demerger can unlock value both at the time of announcement and on implementation. Some expectations on that score must already be in the price. So apparently is a bid premium for a demerged Chubb. The real question remains the more basic one of how much scope exists for further growth. Racal's markets are not expanding. Margins in the security division were already running at 10 per cent in the second half. There is a possibility that Chubb, like Vodafone before it, may emerge pretty fully valued.

Since the demerger, Racal has outperformed Vodafone by 50 per cent. There is far greater scope for margin improvement in the electronics side than in the security business which is now due to be spun off. But Racal must find a way of increasing sales as well as margins in this division, if its shareholders are to reap the maximum reward.

Northern Foods

Northern demonstrated yesterday why its shares have outperformed the food manufacturing sector by 27 per cent over the last 12 months. A 20 per cent jump in profits and 17 per cent earnings advance in tough market conditions – albeit helped by a two-month contribution from Express and Eden Vale and £36m of balance sheet provisions – fully vindicates its strategy of sticking to dairies, fresh products, and quality supermarket outlets.

A measure of the company's quality is last year's ability to finance internal investment from operating cash flows. The hectic pace of capital spending will continue in the current period, which should see further double digit earnings growth on the enlarged capital despite a higher depreciation charge and interest bill. Express and Eden Vale are likely to yield £10m-£15m of savings by the end of the year, though it will be 1993 and 1994 before the benefits of the current rationalisation programme really show through.

Notwithstanding the company's insistence that the Milk Marketing Board shake-up will be good news longer term, the transition to a more liberal market for milk supply could be tricky for the whole sector. That said, one would back Northern's management over others to rise to the challenge, which is one good reason why its prospective earnings multiple is 2.5 points higher than Unigate's.

Capital adequacy

It took EC finance ministers until well into Wednesday morning to agree a deal on the so-called Capital Adequacy Directive (CAD) on capital standards for securities houses. But the grounds for disagreement were so many that the compromise negotiated by Portugal represents a significant step forward.

The threat to London's broking and underwriting houses appears to have dissolved, principally because brokers will have a 10-day window in which to place large deals without additional capital requirements. All the same, the market will want reassurance on how quickly capital must be allocated once the window closes. The liquidity of London's stock borrowing market has been preserved. Perhaps equally important to Mr Norman Lamont, the chancellor, no other centre has emerged with a notably stronger hand.

As to the broader picture, the commission believes the stalled investment services directive should now gain new impetus. Arguably, it is too early to draw that conclusion. Until it is clear how the CAD will work, the most that can be said is that it represents a useful precedent. Given that Spain and Belgium were reportedly reluctant to the last, even that has its limits.

Several technical issues are yet to be resolved. It could take several years before each country has agreed standards in place. The CAD will be reviewed after three years, when it will be judged alongside standards proclaimed by the Basle committee and the securities industry's own lobby. That leaves plenty of scope for changes. It also leaves open the ironic possibility that the UK will introduce harsher capital requirements of its own.

UN officers in Sarajevo

Continued from Page 1

drawing the line has come."

"The UN should authorise nation states to use force. Nato should draw up plans for a comprehensive use of force as thorough as that formulated for air, sea and ground forces in Desert Storm."

Senator Lugar's intervention is an attempt to break the logjam of US political indifference to events in Bosnia-Hercegovina. This afternoon the Senate foreign relations committee is to take public discussion further in special hearings.

A convoy of 41 UN cars, trucks and an armoured personnel carrier left Belgrade on the rugged 300km drive to Sarajevo, where 300,000 residents are trapped by fighting and face starvation.

Rival militias have continued shelling and battling in the streets of the Bosnian capital.

The UN troops, drawn from Canada's Royal 22nd Regiment, are already preparing to leave Sector D, the UN protected area in central Croatia, where they have been deployed for some weeks.

They will be equipped with 80 armoured personnel carriers to safeguard the flow of humanitarian relief supplies through the airport into Sarajevo.

Under the terms of the agreement, the airport can only be opened once all anti-aircraft weapon systems have withdrawn from areas around the airport. Those areas will then be placed under UN supervision. In addition, all artillery, mortar and ground-to-ground missile systems and tanks within range of the airport will be concentrated in areas agreed by the UN.

If these conditions are met, the airport will be brought under UN supervision.

Peace protest: More than 3,000 students held a demonstration in Belgrade calling for the resignation of Serbian president Slobodan Milosevic as Serb forces continued to shell Sarajevo

EC anger at US release of exports hit-list

By David Gardner in Brussels and Nancy Dunne in Washington

THE European Commission yesterday reacted angrily to the publication in Washington of a $2bn European Community food exports "hit-list", half of which may suffer punitive tariffs if the EC fails to reform its oilseeds subsidy regime.

This latest escalation of the oilseeds row casts a pall over prospects of concluding the Uruguay Round of talks on world trade liberalisation, in which the US and EC can still not agree on how far each side should cut farm subsidies.

The $2bn list, which ranges across wine, cheese, biscuits, gin, liqueurs (but not whisky) and tobacco, will be pared to $1bn after 30 days of being open to public suggestions. This is a notional estimate of damage caused by EC discrimination against the US's powerful soyabean exporters.

Imposition of the list would block about a quarter of EC food exports to the US.

Officials in Brussels described the action as "totally without justification since it lacks any legal basis" within the General Agreement on Tariffs and Trade (Gatt) disputes procedures, now ostensibly being followed by both sides.

The EC has taken up a Gatt panel option to offer compensation to US exporters, while still challenging the Gatt ruling which found that EC policies impair the duty-free status accorded soyabeans in earlier negotiations. The EC hopes the issue will be settled in the Uruguay Round.

Compensation would do nothing to answer US soya farmers' complaints.

"What is needed is fair access into the EC market so US soyabean farmers can compete for the market. This can only be accomplished through reductions in the EC oilseed subsidy programme," Mr Gary Riedel, president of the American Soyabean Association, said yesterday.

Mr Ray MacSharry, EC agriculture commissioner, said that "it would seem from this action that the US is not interested in peace in international trade."

The EC proposal over oilseeds will be put to the next meeting of the Gatt Council on June 19. At the last Gatt Council meeting the EC blocked a report from the dispute settlement panel which, for the second time, found against the EC.

UK cabinet denies split on Europe

By Ralph Atkins

UK CABINET ministers moved yesterday to quell reports of splits within senior government ranks over the Maastricht treaty.

Mr Peter Lilley, social security secretary and one of the most Euro-sceptic cabinet ministers, last night released statements denying that he was at odds with Mr John Major, the prime minister, over Maastricht.

Mr Norman Lamont, chancellor of the exchequer, said on BBC radio that "the government is united on this question".

Ministers acknowledged privately, however, that the government is under fierce pressure from Tory MPs, even in more pro-Europe sections of the party, to look for greater revisions than it has been prepared to contemplate.

As Labour MPs yesterday voted to keep their options open over tactics on the Maastricht bill, some Conservatives said the government would be defeated if the Commons voted on the treaty before the summer recess.

With Mr Douglas Hurd, foreign secretary, in France until Friday and Mr Major in South America, speculation at Westminster of government rifts and possible resignations has grown – centred on reports that Mr Lilley and Mr Michael Portillo, chief secretary to the Treasury, attended a meeting of Tory Euro-sceptics last week.

Conservative business managers were yesterday warning of "black propaganda" by the most radical of Euro-sceptics who, they said, were keen to talk up the government's dilemma.

Mr Portillo's aides said he agreed fully with Mr Lilley's statement and backed the government's position.

So far, the Foreign Office has hinted at only limited flexibility, in order to overcome the Danish referendum result. It argues that a renegotiation would not be to Britain's advantage and could wreck the government's ambitions for its presidency, which begins on July 1.

The Foreign Office has already suggested Britain may try to add an addendum to the Maastricht treaty reinforcing the principle of subsidiarity, by which decisions are made at the lowest appropriate level of government.

Underlining his scepticism about fast moves towards European union, Mr Lamont said that the debate on Europe had altered since the Danish referendum's rejection of Maastricht.

He added: "We don't want to see ever more resources being taken from individual countries and appropriated to the centre." Public opinion could not be ignored, Mr Lamont said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	19	66	Frankfurt	F	23	73	Majorca	F	19	66	Oporto	F	17	63	Tenerife	F	21	70
				Brussels	F	22	72	Geneva	S	20	68	Malaga	F	23	73	Oslo	S	24	75	Tokyo	C	21	70
				Budapest	F	22	72	Gibraltar	F	20	68	Malta	S	25	77	Paris	F	22	72	Toronto †	S	14	57
Ajaccio	R	21	70	Buenos Aires	C	11	51	Glasgow	F	17	63	Manila	C	34	93	Prague	F	19	66	Tunis	F	25	77
Algiers	F	21	70	Cairo	S	38	100	Helsinki	F	19	66	Melbourne	F	9	48	Reykjavik	C	10	50	Valencia	F	23	73
Amsterdam	S	21	70	Cape Town	Dr	13	55	Hong Kong		–	–	Mexico City		–	–	Rhodes	F	23	73	Venice	F	22	72
Athens	S	27	81	Caracas	C	29	84	Innsbruck	S	22	72	Miami †	F	27	81	Rio d'Janeiro	C	35	95	Vienna	F	19	66
Bahrain	S	38	100	Casablanca †	F	20	68	Inverness	S	18	64	Milan	F	21	70	Rome	F	22	72	Warsaw	R	11	52
Bangkok	C	35	95	Chicago †	S	14	57	Islamabad	F	39	102	Montreal †	S	12	54	Salzburg	F	18	64	Washington †	S	20	68
Barcelona	C	16	61	Cologne	F	22	72	Istanbul	F	24	75	Moscow	C	10	50	S'Francisco †	C	13	55	Zurich	F	20	68
Beijing	S	28	82	Copenhagen	S	20	68	Jakarta	R	32	90	Munich	C	18	64	Seoul	F	19	66				
Beirut	S	26	79	Corfu	S	25	77	Johannesburg	S	17	63	Nairobi	F	21	70	Singapore	F	31	88				
Belfast	S	20	68	Dallas †	S	21	70	Lisbon	C	19	66	Naples	F	13	55	Stockholm	S	22	72				
Belgrade	F	23	73	Dublin	F	18	64	London	F	21	70	Nassau	F	28	82	Strasbourg	F	23	73				
Berlin	F	20	68	Dubrovnik		–	–	Los Angeles †	C	18	64	New Delhi	S	36	97	Sydney	F	17	63				
Biarritz	F	15	59	Edinburgh	C	14	57	Luxembourg	C	22	72	New York †	S	19	66	Taipei	C	27	81				
Bombay	S	32	90	Faro	C	19	66	Madeira	F	20	68	Nice	F	20	68	Tangier	C	20	68				
Bordeaux	R	15	59	Florence	F	23	73	Madrid	C	18	64	Nicosia	F	27	81	Tel Aviv	S	35	95				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday June 11 1992

INSIDE

Racal sets deadline to demerge Chubb

Sir Ernest Harrison, chairman of Racal Electronics of the UK, has set a deadline for the demerger of Racal Chubb, its security division. The demerger will follow a similar pattern to last year's successful distribution of Racal's stake in Vodafone, the UK cellular telephone network operator. Page 18
Racal results, Page 23

Disagreement over bond trades

A row over the settlement of Italian government bonds traded during turbulent market conditions last week has broken out between several London-based firms and a number of Italian banks. A US investment bank, a Swiss bank and a broking firm are among the London-based firms to have experienced disputed trades with Italian banks. Page 21

Nordic insurance shares fall

Three of the most prominent Scandinavian insurers — *Skandia, the* region's biggest, Uni Storebrand of Norway and Hafnia of Denmark — have seen dramatic share price declines following an unsuccessful bid by the ambitious Uni Storebrand to lead a merger between them. Back Page

Riding out the bumps

NEC There is something old-fashioned in the optimism of Mr Tadahiro Sekimoto, president of NEC, the world's biggest maker of semiconductors. His company has just reported a 61.7 per cent decline in year-end pre-tax profits; the share price has fallen more than 25 per cent since the start of the year; *capital spending is being cut by 19 per cent;* and semiconductor prices are terrible. For Mr Sekimoto, however, the recession in the electronics industry is merely a bump on the road. Page 19

Daily Mail down 5%

Sharply lower input from exceptional items resulted in a 5 per cent fall in pre-tax profits at Daily Mail and General Trust, the UK publisher, in the six months to March 31. Sales rose from £313.3m to £326.7m, but after reduced exceptional items, the pre-tax figure was £22.8m, against £23.9m. Page 24

Russian gold reserves fall

Russia has exported 30 tonnes of gold this year and its official reserves now stand at a total of 210 tonnes, the chief of the republic's co-ordinating body for precious stones and *metals said yesterday.* Mr Yevgeny Bychkov said 75 tonnes of the gold reserves were with the Russian central bank, while the remaining 135 tonnes are being held by his Committee for Precious Stones and Metals. The latest reserve figure, dating from June 1, is lower than the 240 tonnes figure for the whole Soviet Union before the country collapsed in December 1991. Page 26

Amersham ahead 34%

Amersham International, the UK health science group which has refocused its activities on radioactive products, increased pre-tax profit by 34 per cent to £20.7m *($37.67m) in the year to March 31.* Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bil. & Berger	1050	+	14
Deutsche Babck	162.5	+	6
Lahmeyer	775	+	14
Rheinelektra	1168	+	40
Falls			
Asko Prf	655	−	10
Colonia Konz Pf	585	−	30

NEW YORK ($)

Rises			
Intl Paper	$66\frac{3}{8}$	+	$1\frac{1}{2}$
Falls			
Morgan Stanley	$49\frac{5}{8}$	−	$1\frac{1}{8}$
Nrthn Telecom	$37\frac{3}{8}$	−	$2\frac{1}{8}$
PaineWebber	$19\frac{1}{2}$	−	$\frac{1}{2}$
Technlgy Soltns	18	−	2
Universal Foods	$20\frac{1}{4}$	−	$\frac{3}{8}$

New York prices at 12:30.

PARIS (FFr)

Rises			
Euro Disney	114	+	5
Falls			
Casino	165.7	−	7.7
Merlin-Gerin	530	−	16
Saint Gobain	566	−	16
Schneider	682	−	25
Unibail	465	−	36

TOKYO (Yen)

Rises			
Chuo Tst & Bnk	2380	+	230
Hitachi Sales	582	+	40
Tobu Store	840	+	55
Toho Titanium	900	+	80
Falls			
Hitachi Powder	511	−	39
Kokusai Elec	1840	−	170

LONDON (Pence)

Rises			
Airsprung Furn	396	+	41
Amersham Intl	479	+	15
BAA	695	+	19
Ball (AH)	160	+	10
Children's Med	135	+	10
Dowty	187	+	12
Electrocomp'ts	285	+	18
Euro Disney	1165	+	42
Frogmore Est	281	+	13
Northern Foods	605	+	14
Racal Elects	$69\frac{1}{4}$	+	$6\frac{1}{4}$
Refuge	728	+	23
Vosper	344	+	19
Falls			
First Nat Fin	64	−	11
HadenMacLlan	85	−	6
Johnson & FB	63	−	5
Micro Focus	1953	−	65
Perkins Foods	98	−	7
Porter Chdburn	38	−	7
Regalian Props	15	−	7
Sears	86	−	$5\frac{1}{2}$
Seton Hlthcare	301	−	12

Anglo-US white goods maker plans limited alliance with Temfa and Fagor

GDA poised to join European venture

By William Dawkins in Paris

GENERAL Domestic Appliances (GDA), the Anglo-US maker of white goods, is about to join a European partnership with the leading French and Spanish suppliers of household appliances.

GDA, jointly owned by GEC of the UK and General Electric of the US, said it would shortly join Temfa, an 18-month-old partnership of Thomson Electroménager (TEM) of France and Fagor, the leading Spanish white goods group.

The partnership aims to pool purchasing of jointly used components, to share research ideas and technology, and to give its members the opportunity to sell each others' products under their own individual brand names.

While this is only a limited alliance, it unites the third largest domestic appliance group in Europe after Electrolux of Sweden and Bosch-Siemens of Germany.

GDA's main brands are Hotpoint, Creda, Jackons and Cannon. TEM, a subsidiary of the state-owned Thomson electronics group, sells as Brandt, Thermor, Thomson and Vedette among others.

Fagor sells under its own name, as well as White Westinghouse, Edesa and Aspes.

All three companies are leaders in their countries and have teamed up to achieve the greatest economies of scale possible within the continued fragmentation of regional tastes in the European white goods market.

This is "a response to the growing segmentation of the white goods market which, in contrast to brown goods [audio-visual equipment], differs sharply from one continent to another, even from one region to another", said Mr Henri Lagarde, TEM's chairman.

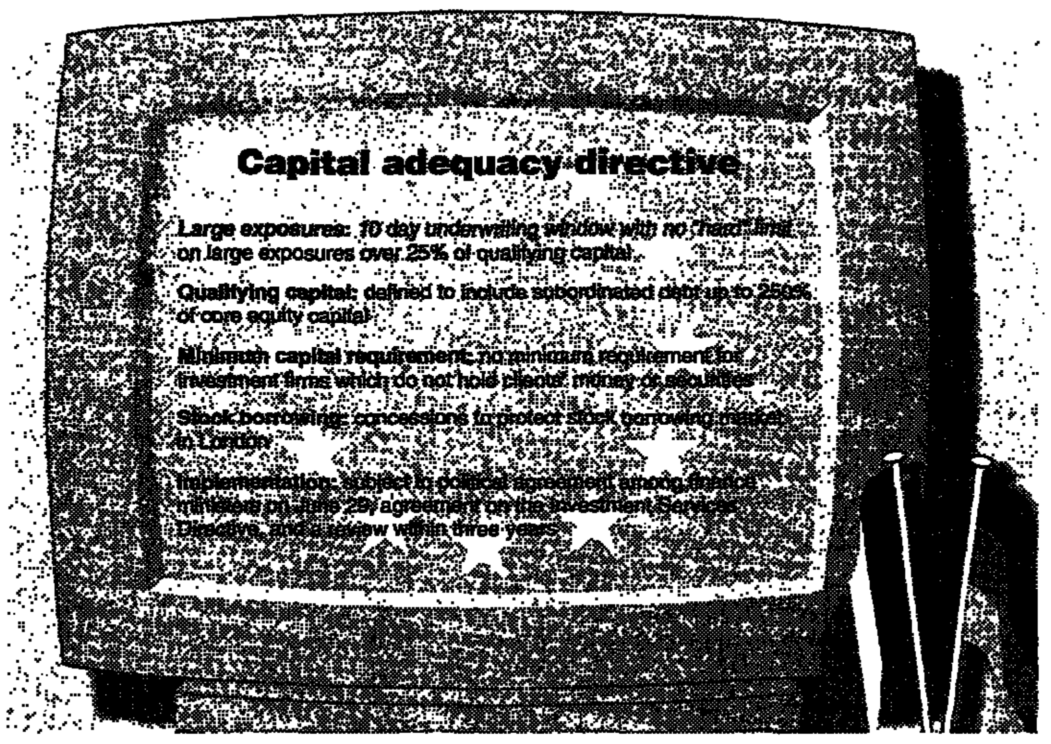
The partnership is set up under European Community law as a European economic interest grouping, a simple structure designed to encourage cross-border alliances, but which does not include industrial joint ventures.

Mr Bruce Enders, GDA's managing director, hoped the deal would allow his group to enlarge its product range by sourcing from its partners, as well as to sell some of its own products to the continental European partners for sale under their brand names.

This is the latest stage in TEM's campaign to strengthen its product range, following a joint venture to make microwave ovens with Toshiba, the Japanese electronics group, in 1989; the formation of Temfa in 1990; and a joint venture last year to make electric ovens and hobs with De Dietrich, one of France's last independent producers of home appliances.

Simon London on attempts to unify European securities

Muted cheers for the single market



Banks and securities firms in the UK were clearly relieved yesterday following a breakthrough in negotiations between EC governments which could lead to the creation *of a single European securities* market.

Most acknowledged that agreement on the draft Capital Adequacy Directive, which lays down the amount of capital needed by EC securities firms and the trad*ing operations of banks, is a sig*nificant step towards a desirable goal.

Moreover, many of the proposals which would have damaged the London market have been dropped.

*However, some market partici*pants remained circumspect. "It is too soon to proclaim victory," said the legal director at a leading London securities firm. "The whole project hangs on the details and how the directive is *implemented.*"

The agreement among governments yesterday covered only the general terms of the CAD. The final document is still subject to political approval by finance ministers when they meet on June 29.

The general agreement still leaves several important areas undecided. For example, there is no agreement on the absolute minimum amount of capital which a recognised investment *firm should carry.*

To some in the market the lack of a detailed agreement was good news – they had feared the commission would hurry through detailed proposals. "It is a lot better than it might have been," said Mr Paul Tillett, deputy secretary of the British Bankers Association. "The best news of all is that more drafting will take place. In a directive like this the details are all important."

Even once the details are agreed, the ratification and implementation of the directive will be linked to agreement on the draft Investment Services Directive, which should give securities firms a "single passport" to conduct business in all EC centres. The ISD has been stalled for months and disagreements between national governments appear to be intractable. This means that the capital adequacy requirements may not come into force for some time.

However, EC finance ministers have agreed a basic framework.

● Securities firms and the securities trading operations of banks will be able to boost core equity capital by raising short-term subordinated loans. This additional *layer of capital is not available to* banks in their non-trading operations under existing EC rules.

Yesterday's agreement recognises as capital subordinated debt up to 250 per cent of core equity capital.

● There will be no inflexible upper limit on the size of large securities exposures. In early drafts, some governments had wanted a 25 per cent limit on securities exposures. This would have stopped firms undertaking large exposures by underwriting block trades, for example.

> 'It is an advance over the system of regulation in the US'

Instead, the directive will allow a 10-day underwriting window in which normal capital requirements do not apply. Capital requirements will then gradually start to apply according to a agreed formula.

● The biggest victory for the UK government, and the London securities market, is an agreement that all stock borrowing and repurchase agreements will fall under the CAD, rather than tougher banking regulations.

Under earlier drafts, stock borrowed by a securities firm or bank from a pension fund or a company would be treated as a loan rather than a trading position. Tougher capital requirements would have applied, increasing the cost of stock borrowing and potentially damaging the liquidity of the London market, where stock borrowing and *repurchase are most common.*

The precise effects of the CAD will depend on the type of securities business being undertaken by a firm or bank. Although the UK won some important concessions, some sectors of the London *market could still suffer; for* example, underwriting firms in the London-based Eurobond market, which have traditionally taken on very large exposures sometimes over long periods.

The EC knew of the potential *impact of the CAD on the London* market. Sir Leon Brittan, EC Commissioner responsible for financial services, said: "I have been well aware of the concern expressed by some in the City of London and also in other finan*cial centres in the Community* about the potential pitfalls in this area. I'm glad that agreement has now been reached on a set of proposals which in no way prevent the continuation of present trading activity in the Community or anywhere else."

However, some London bankers said the CAD would still probably require them to maintain higher levels of capital for most types of business than under current national rules.

In other European financial centres, reaction was equally cool. The consensus in Paris was that the new regulations would make very little difference to trading in France, where the existing capital requirements on securities dealing are already comparatively high.

While the main features of the CAD now appear to be fixed, the directive will be reviewed within three years to ensure that it is consistent with similar rules being drafted by other international regulators; the Basle committee of central bank regulators, and the International Organisation of Securities Commissions.

Foreign bankers said the directive could provide a model for *these other international regula*tors to follow. "It appears to be a sensible compromise between the interests of banks and and the interests of securities firms. It is certainly an advance over the system of regulation which *applies in the US," said one* senior US banker in London.

Meanwhile, UK government officials were keen to portray the agreement as a significant step forward, containing several measures to protect the interest of *the London market. Today,* bankers and securities market practitioners will attend detailed Treasury briefings, but with a sense of hope rather than dread.

Additional reporting by Alice Rawsthorn in Paris and Andrew Hill in Brussels.

Lex, Page 16

WestLB sale plan sparks board walkout

By Christopher Parkes in Bonn

THREE of the five main board directors of the Landesbank Schleswig-Holstein resigned yesterday in protest at plans for the sale of a stake in the publicly owned institution to Westdeutsche Landesbank (WestLB).

In spite of denials from Mr Björn Engholm, head of the Kiel-based bank's administrative *council, Mr Gerd Lausen, chair*man, suggested that a deal had already been struck even though negotiations are not due to begin until July.

Mr Engholm, who is also leader of the federal Social Democrat *(SPD) opposition party, and* prime minister of Schleswig-Holstein, is a close associate of Mr Johannes Rau, SPD prime minister of North-Rhine Westphalia, the state which owns WestLB.

The boardroom walk-out marks *another extraordinary turn in the* evolution of the regional public banking industry in Germany, and highlights the mounting resentment against the aggressive WestLB and its chairman Mr Friedel Neuber.

WestLB, heading for operating profits of DM1bn ($600m) this year, is by far the biggest of the regional banks and the third largest bank in the country.

It was recently accused of "capital imperialism" by Mr Peter *Fischer, the economics minister* of Lower Saxony, after it absorbed the state-owned NRW housing authority – along with its DM4bn in reserves.

Since the Hesse state bank, Helaba, rejected its approaches in 1988, WestLB has linked up with SüdwestLB in Stuttgart, set up DIHB specialising in industrial banking services in east Germany, and expanded its WestLB Europa subsidiary into 13 European countries.

Its most adventurous move came in 1989 when it linked up with Standard Chartered of London to bolster its merchant banking business.

In February this year it extended its reach further when *it bought Beal, a small Brussels*-based bank specialising in corporate finance in Latin America.

Mr Neuber, who is regularly accused of over-stepping the boundaries of what is correct for a state bank, has also built up a *substantial presence in industry,* by buying minority stakes in local companies such as Preussag, the steel and engineering group.

The traditional role of the state banks is to act as umbrella *organisations for regional gov*ernment-run savings banks and as financing conduits for local authorities in their home states.

According to some observers, WestLB has connections with around half the top 500 compa*nies in the European Commu*nity. By developing its interests in investment banking, and corporate and construction financing beyond the limits imposed by the frontiers of North Rhine Westphalia, it has succeeded in breaking the conventional mould.

It also owns 34 per cent of LTU, the charter flight and tourism group which last week bought the Thomas Cook chain from Britain's Midland Bank.

Mr Lausen, who steps down on July 31, will be succeeded by his deputy, Mr Werner Heller.

TI Group wins its hostile bid battle for Dowty

By Richard Gourlay in London

TI GROUP, the UK specialist engineering company, yesterday won overwhelming support for its hostile bid for Dowty Group, the Cheltenham-based aerospace and information technology group that is among the best-known names in British engineering.

By the close of the bid yesterday 60.23 per cent of Dowty's shareholders had accepted the share and cash offers which valued Dowty at about £510m ($928m).

The successful bid will leapfrog TI into the FT-SE 100 index and will make the group the second largest UK engineering company behind British Aerospace.

The enlarged group will have three divisions – aerospace, engineered seals and pipes – each with sales of about £400m – operating throughout the world.

Dowty's aerospace division, which is the prize in yesterday's successful bid, will remain in Cheltenham.

"We are clearly delighted with the result," said Mr Christopher Lewinton, TI chairman, "Our priority now is to get down to the real task of returning Dowty to its core specialised engineering businesses of aerospace and polymer engineering."

Mr Lewinton will meet the Dowty board in London today. "I will explain that we are trying to build a great British engineering company," he said. "The takeover is good news for Dowty, good news for TI and good news for British engineering."

Among the first steps TI will take is to establish with its advisers Barings, the merchant bank, whether its assumptions about Dowty's Information Technology division fit with the actual situation ahead of a likely sale.

The division was most responsible for Dowty's weak earnings and profits in recent years and contributed perhaps more than anything to TI's victory.

TI's advisers and its finance team will go to Cheltenham tomorrow to look over Information Technology and to begin the process of putting Dowty's management accounts on to TI's reporting system.

Mr Lewinton yesterday dismissed fears about the company's future expressed during the bid by Dowty's labour force. The *fears were based on uncertainty* and stemmed from the large numbers of redundancies in the aerospace industry in recent years.

First indications last night were that of the 60.23 per cent acceptances from shareholders, the majority took the four-for-fifteen share offer in preference to the 175p cash alternative.

Auditors qualify accounts of Regalian Properties

By Vanessa Houlder, Property Correspondent

THE uncertain future of the UK property market has prompted auditors to qualify the accounts of Regalian Properties, one of the best-known UK-quoted property companies.

Ernst & Young, the auditors, qualified the accounts because of "the very considerable uncertainty that continues to affect the property markets and the difficulty of placing valuations on potential development sites," together with the uncertain timing of property sales and risk of a breach of bank covenants.

Regalian's fate is likely to be shared by many other property developers this year, in the view of Mr Eugene Bannon, an Ernst & Young partner. "It will not be unusual to find qualification on uncertainty of value," he warned.

"We are required to get supporting evidence [for valuations]. In a stagnant or bombed-out market, it is very difficult to get that evidence," he said.

Mr David Goldstone, chairman of Regalian, said he believed that auditors' caution concerning property accounts had been heightened by the recent difficulties of Olympia & York, Speyhawk, Mountleigh and Heron. The problems in valuing property were highlighted last week when Heron's portfolio was valued at £1bn, £300m less than a valuation a month earlier.

Regalian, which announced a pre-tax loss of £26.8m ($48.77m) for the year to March 31 and passed its final dividend, made provisions of £32.9m against its portfolio.

A block of luxury flats in Kensington Palace Gardens and a development site at Paddington, both in London, are the chief sources of uncertainty. Although Kensington Palace Gardens is now valued at about half the asking price of £120m a year ago, the unusual nature of the building makes it difficult to value. The auditors also queried the timing of Regalian's planned development in Paddington, still valued at £23m.

A provision of £5m was taken against a £10m development site at Heron Quay in London's Docklands, which has been mothballed because of the insolvency of Olympia & York, its partner.

Mr Goldstone's son Lee, who has worked at Regalian for 12 years, has left because of the constraints on new development over the next four years.

Regalian's net asset per share fell from 146.8p to 104.8p. At its year-end, it had gross debt of £130.1m and net assets of £122.7m. The loss per share was 19.74p, compared with last year's earnings of 8.02p. The share price fell from 22p to 15p.

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Racal sets October deadline for Chubb float

By Richard Gourlay in London

SIR Ernest Harrison, Racal Electronics chairman, yesterday set an October deadline for the demerger of Racal Chubb, its security division.

Shares in the floated Chubb, which yesterday reported a 20 per cent jump in operating profits last year, will be distributed to Racal shareholders after details are published in September.

The demerger will follow a similar pattern to last year's successful distribution of Racal's stake in Vodafone, the cellular telephone network operator, a move Sir Ernest initiated after what he said was the market's consistent undervaluation of Racal's non-Vodafone businesses.

Confirmation of the demerger came as Racal reported annual pre-tax profits of £55.6m, up from a loss of £21.8m last year and comfortably ahead of a forecast it had made at the height of its successful defence against a hostile bid from Williams Holdings last winter.

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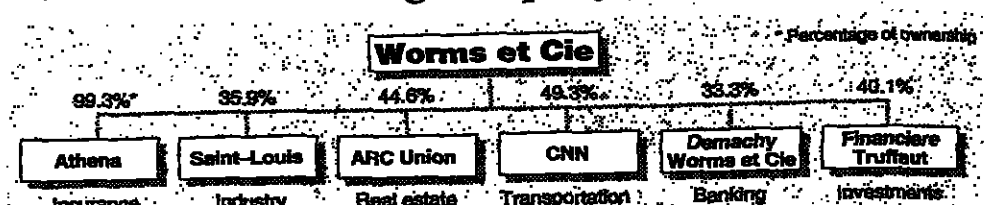
Simplicity becomes virtue at Worms

Alice Rawsthorn on the French holding company's restructuring



THE history of Worms et Cie, one of France's oldest holding companies, stretches back for more than a century. However, when Mr Nicholas Clive Worms, the present chairman, addresses his shareholders in Paris today, he will be talking about a completely new company.

A year ago Mr Clive Worms outlined Worms' new structure to his shareholders. At today's meeting, he will be reporting on the company's progress in its first year under its new guise.

Worms et Cie is one of the quintessentially French breed of holding companies, with an assortment of interests in different sectors often in the form of minority shareholdings that may carry controlling status.

It began life as a trading company in 1848 and swiftly diversified into shipping. Worms et Cie retains the relics of the old shipping business, but it is also involved in insurance, luxury goods, property, banking, sugar and paper. It controls some companies, such as Athena, its insurance business, and the Financière Truffaut luxury goods vehicle. But it does not control others, such as the Saint-Louis sugar and paper group. Until last year's restructuring, its interests were even more diverse and split between two companies, Pechelbronn and Simer.

Such company structures are common in France, where the corporate sector is riddled with cross-shareholdings. Suez, the diversified industrial and financial group, is another example, as is Compagnie de Navigation Mixte. However, they tend to be incomprehensible to the international investors which are a prime source of capital for French companies. It was this concern that prompted Mr Clive Worms to restructure the group last year.

He made his decision against the backdrop of a disagreement with Assurances Générales de France (AGF), one of the large French insurers and a long-term investor which had wanted to increase its holding. AGF eventually agreed to sell part of its stake back to the company, thereby reducing its holding to 8.2 per cent. Mr Clive Worms wanted to bring in other minority investors, such as IFIL – the company controlled by the Agnelli family of Italy, that two years ago bought a 7.4 per cent stake – to buy the old AGF shares.

"In France things tend to be very incestuous, with the same names cropping up again and again as investors," he said. "We thought it would be more exciting to go further afield. We needed a simpler structure to become more accessible to international investors and also because, after our expansion in the 1980s, we were a much bigger group."

Pechelbronn and Simer were merged into one company, Worms et Cie, and the group shed a string of its minority stakes. Truffaut, for instance, has rationalised its portfolio by selling its stakes in some companies, such as the Jean-Louis Scherrer fashion house, and reducing its holdings in others, notably Christian Dior. Other holdings, including Suez itself, are engaged in the same process. But they are doing so on a piecemeal basis, whereas Worms has acted quickly.

Mr Clive Worms is convinced that he has achieved his goal of making Worms, which recently announced net profits of FFr1bn ($186.9m) for 1991, simpler and more efficient. Earlier this year he sold the rest of the AGF shares to the Abu Dhabi Investment Authority, which now owns 5.5 per cent, and to Temasek of Singapore with 4.5 per cent.

The jury is still out on whether Worms has succeeded in making itself more comprehensible internationally. One Paris analyst applauded it for the speed with which it had rationalised its interests. Another said that "despite all the changes" it was "still a mystery" outside France.

So far, Worms' share price has sided with the sceptics. It closed yesterday at FFr341, well below FFr400 where it hovered immediately after its change of name.

Nestlé pays FFr480m for Suez stake

By Alice Rawsthorn in Paris

NESTLE, the Swiss food group facing the threat of opposition from the European Commission in its attempt to complete the takeover of Perrier mineral water, is paying FFr480m ($90.5m) to buy 1.5m shares in Suez, the French industrial and financial group.

Nestlé, which formed a joint venture with Banque Indosuez, the Suez banking subsidiary, to stage the Perrier bid, is buying the shares from Exor, the French property company that controls Perrier. Exor, after fighting fiercely against Nestlé's FFr15.46bn bid, finally agreed to support it.

Nestlé which last week disclosed that EC anti-cartel investigators were challenging its bid for Perrier, paid FFr320 a share for the Suez stake yesterday. Exor, which is controlled by IFINT, an investment vehicle for Italy's Agnelli family, originally owned a 2.3 per cent stake in Suez, which is a 10 per cent shareholder in Exor.

Under the terms of the settlement of the Perrier battle, Nestlé agreed to buy part of Exor's stake in Suez. Crédit Agricole, the French bank which is one of Exor's minority shareholders and which came to the fore in the early stages of the Perrier battle when it objected to IFINT's original partial bid for Exor, had earlier bought some of Exor's shares in Suez.

Northern Foods makes progress

SHARES in Northern Foods, the UK dairy, convenience food, meat and grocery group, jumped 14p to 605p yesterday as the group announced a 19.7 per cent increase in pre-tax profits to £126.2m ($230.9m) in spite of a competitive market, writes Maggie Urry in London.

Mr Chris Haskins, chairman, said the figures represented "excellent progress".

Earnings per share were 16.8 per cent higher at 38.31p, against 32.79p last time, after adjusting for a rights issue. A final dividend of 9.27p is proposed to give a total of 15.75p, a rise of 14.8 per cent on the previous year's 13.72p.

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Kvaerner shows improvement

By Robert Taylor in Stockholm

KVAERNER, Norway's largest privately-owned industrial company with interests in engineering, shipbuilding and shipping, yesterday reported an improvement in its profits before financial items to NKr424m ($68.3m) in the first four months of the year from SKr401m for the same period of 1991.

The order book rose by 11 per cent to NKr6.535bn from NKr5.906bn.

Kvaerner's shipping business suffered a sharp fall in profitability to NKr39m from NKr164m for the first four months of last year. It made a small loss of NKr12m in its manufacturing division compared with a NKr14m profit in the year-earlier period.

However, this was more than compensated for by the rise in profits from shipbuilding to NKr252m, nearly double the NKr137m made in the same months last year.

The company also reported a hefty increase in profits from offshore activities, from NKr40m to NKr87m. In its wood-processing division, profits rose to NKr69m from NKr50m.

The company also announced that it was launching a seven-for-one equity issue, creating 5.33m shares. A further 300,000 new shares will be issued to employees.

Kvaerner's financial position was strengthened recently by its acquisition of Masa, the Finish shipbuilding group, and Gotaverken Energy, the Swedish environmental company.

● Aker, one of Norway's largest industrial groups, made a profit after financial items of NKr263m for the first four months of the year, a substantial improvement on the NKr23m loss a year ago.

Turnover rose to NKr5.4bn for the first four months, compared with NKr3.8bn.

The company said that the market for cement and construction materials continued to be weak even though the economic downturn in Norway seemed to have bottomed out.

Aker estimated that this year it would make a loss in those activities comparable with the NKr79m deficit in 1991. The main hope of revival lies in the oil and gas technology side of the business, where orders have been encouraging.

MoDo slides into the red

MODO, Sweden's third-largest pulp and paper company, has posted a SKr335m ($58.3m) loss for the first four months of the year, writes Robert Taylor. This compares with a SKr433m profit in the 1991 period.

MoDo said yesterday that it feared that it would incur heavier losses over the rest of the year. The deterioration in MoDo's position began in the second four-month period of last year, when it reported a SKr102m loss.

Mr Bernt Lof, president, said that rationalisation measures had lowered costs and that the company hoped to have saved SKr500m by 1994 as a result.

"My judgment is that the forestry industry has reached the absolute bottom of the business cycle," he added.

Tapie in dispute over disposal price

By Alice Rawsthorn in Paris

BERNARD Tapie Finances (BTF), the holding company of Mr Bernard Tapie, the controversial businessman who recently resigned from the French cabinet because of a fraud case, yesterday suffered another blow when a dispute flared up over a disposal.

Lugdunum Finance, which has agreed to buy the La Vie Claire chain of health food shops from BTF, is now arguing over the price of the deal. BTP claims that the price was set at FFr110m ($20.5m), whereas Lugdunum says it was set at just FFr100m.

BTF, which last week announced it had fallen from net profits of FFr47.97m in 1990 to a loss of FFr294.9m in 1991, is taking legal action to try to recover the remaining money.

La Vie Claire is one of several businesses that BTF is selling to raise capital to cut debts incurred in its acquisition of the Adidas sporting goods group two years ago. BTF, which later this month is to make the final FFr730m payment on its Adidas loans, recently put its Testut-Terraillon weighing machine business on the market.

The financial problems of BTF have intensified speculation that Mr Tapie, who resigned as minister of urban affairs after only two months in the post, may be forced to cede control of Adidas.

Paramount net rises to $28m in second quarter

By Alan Friedman in New York

PARAMOUNT Communications, the publishing and entertainment group, continued its earnings recovery in the second quarter of its financial year, which ended on April 30.

The company made a net profit of $28.3m, or 23 cents per share, in the three-month period, compared with a loss of $55m, or 47 cents a share, in the corresponding period of 1991.

Mr Martin Davis, the Paramount chairman, said yesterday that the company was "well on the road to a substantial year-to-year improvement in results."

He added that the entertainment division, which includes the Hollywood-based Paramount Pictures film and television programme studio, had generated $91.7m of operating income in the quarter, compared with a $40.6m loss a year ago.

Paramount's publishing operations, which traditionally record the bulk of revenues and income in the second half of the year, suffered a $25.3m loss in the second quarter, slightly less than the $29.2m loss in the equivalent 1991 period.

For the first six months of fiscal 1992 Paramount earned $46.7m, or 39 cents a share, against a loss of $62.3m, or 53 cents per share, in the first half of last year.

Paramount's total revenues for the second quarter of fiscal 1992 were $927.9m, compared with $868.1m a year ago.

Revenues for the first six months were $2bn, against $1.77bn in the same period of 1991.

Mr Davis noted that in addition to the strong performance of Paramount's Hollywood operation, the second-quarter results also benefited from gains in the company's broadcast television holdings and from sharply higher operating income from Madison Square Garden, the New York sports and entertainment venue.

Wall Street reacted favourably to the Paramount profits recovery, and the share price was marked $¾ higher to $46⅝ at midday yesterday.

Paul Stern: issued warning to institutional investors

Shares in Northern Telecom fall on forecast

By Bernard Simon in Toronto

NORTHERN Telecom shares fell sharply yesterday after the Canadian-based telephone equipment-maker painted a gloomy picture of its second-quarter prospects.

The company's share price plunged 7 per cent on the Toronto Stock Exchange yesterday morning to C$43. The shares reached an all-time high of C$57.50 as recently as last January.

Dr Paul Stern, Nortel's chairman and normally an inveterate optimist, warned institutional investors in New York yesterday that the second-quarter's financial performance was likely to be "below expectations."

Revenues are now expected to be below the US$2.1bn posted in the second quarter of 1991. Besides the lingering effects of the recession, Dr Stern said some business in the US has been deferred pending the award of modernisation contracts.

Revenues will also drop by about 5 per cent as a result of the sale of some businesses which were acquired as part of Nortel's purchase of STC, the UK telecommunications group, in March 1991. These units were included in second-quarter 1991 earnings.

Dr Stern expressed confidence, however, that growth would resume in the second half, thanks to the recovery of deferred business, a strong order book, and the elimination of distortions caused by the STC divestments.

Nortel has reported unbroken improvements in quarterly earnings for more than three years.

But the STC acquisition has accounted for much of the recent increase. STC has been integrated into Nortel's European operations, and the company says it is unable to calculate the UK company's precise contribution.

United Grain Growers plans public offering

By Robert Gibbens in Montreal

UNITED Grain Growers, of Winnipeg, Canada's first farmer-owned grain handling and marketing company, plans to go public with an initial offer of around C$40m (US$33m).

UGG, founded in 1906, operates 265 grain elevators and terminals in western Canada. The company, whose crop forecasts are known worldwide, employs 1,500.

Revenues in 1990-1991 were C$1.1bn, with profits of C$2.7m. Most of the revenues come from fees farmers pay for grain storage and transfer to rail wagons.

Mr Brian Hayward, chief executive, said the offer would go ahead next spring after approval of the 70,000 UGG farmer-owners who will retain control.

The new money will be used to modernise UGG facilities. The competing Saskatchewan Wheat Pool is also considering going public.

● BCG, Canada's biggest telecommunications group, has dropped plans to raise its 25 per cent interest in SHL Systemhouse, the fast-growing systems integrator, to 60 per cent.

BCE says it will keep its options open, but the plan to create a strategic alliance between itself, Bell Canada, its fully-owned telecommunications utility, and SHL "has been terminated".

It would not immediately comment further.

BCE had planned to buy SHL treasury stock to bring its holding to 60 per cent at C$12.75 a share or C$287m in all. Bell Canada's data processing would have been transferred to SHL.

Since talks began last February, SHL stock has moved up to C$16 in the market as the company made acqusitions and made new contracts in North America and Europe.

● Canadian Bond Rating Service has again reduced its rating on Bramalea's debt securities. The property developer, controlled indirectly by the Mr Peter and Mr Edward Bronfman interests, is struggling with heavy debt and has promised its bankers a new business plan.

CBRS reduced its Bramalea rating to non-investment grade six weeks ago.

Yesterday, it downgraded the rating another notch because of "concern about Bramalea's ability to restructure its balance sheet".

NEC sets its sights on the 21st century

Japanese group refuses to be blown off course by recession, writes Steven Butler

THERE is something almost quaintly old-fashioned in the optimism of Mr Tadahiro Sekimoto, the white-haired, bespectacled president of NEC.

NEC, with Y3,774bn ($29.5bn) in sales last year, dominates the Japanese personal computer market and is the world's biggest maker of semiconductors.

Mr Sekimoto is exuberant about the future, even though his company just reported a 61.7 per cent decline in consolidated pre-tax profits in the year to the end of March.

NEC's share price has dropped 10 per cent in the past month; over 25 per cent since the start of the year.

Capital spending this year is being cut by 19 per cent.

Semiconductor prices have fallen and NEC is losing money in its home appliance division – Y28.87bn last year, which is a painfully large amount next to total pre-tax profits of Y51.44bn.

Some of NEC's competitors are talking about the need to lower expectations on future growth, to work for higher quality profits, and to narrow the focus of research and development.

For Mr Sekimoto, however, the recession in the electronics industry is merely a bump on the road, to be navigated and forgotten as it recedes quickly in the rear-view mirror.

"Our Japanese-style management is not affected by the immediate results; we are not that short-sighted.

"We are looking at least five years ahead, sometimes 10 years ahead," he says.

This is perhaps the expected response from a man who has been at the helm of a leading Japanese company for 12 years, and as vice-chairman of the Keidanren, the leading business federation, is in effect a certified board member of Japan Inc.

There may, however, be more behind Mr Sekimoto's show of optimism than mere bravura and ritual adherence to the sacred canons of Japanese management.

Mr Steve Myers, analyst at Jardine Flemming, says: "In the domestic market, NEC's performance in the past year has been exceptionally impressive."

After growing at 20 per cent a year for five years, sales of personal computers in Japan last year declined by 8 per cent.

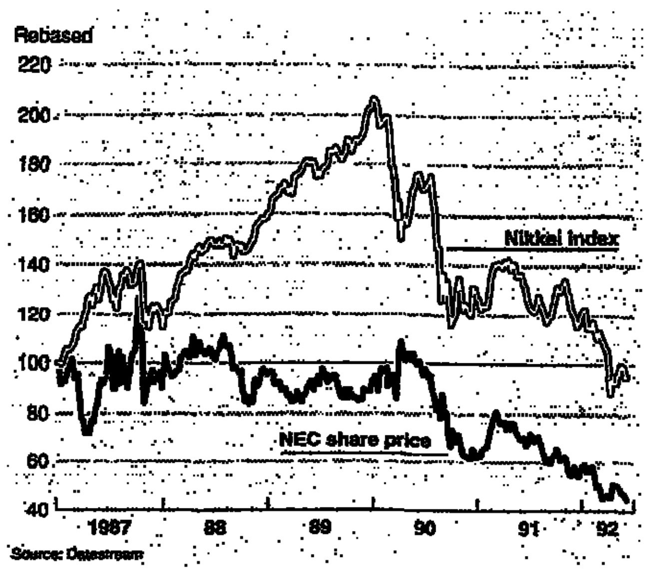
Yet NEC sales grew by 3 per cent to 1.35m units. As a result, its share of unit sales in the Japanese market has risen to 60 per cent from the roughly 50 per cent share it has enjoyed in recent years.

NEC's proprietary computer operating system is becoming ever more entrenched as the *de facto* Japanese standard, even though it is incompatible with any other operating system in the world and in spite of efforts to unseat it.

IBM has attempted to create an alternative, DOS/V, a Japanese variant of Microsoft's MS-DOS, capable of running Japanese language programmes and any software written for IBM computers worldwide.

NEC's customers, however, appear satisfied with the hardware, software and service they are receiving from their traditional supplier, or at least not dissatisfied enough to switch vendors.

In part because of NEC's domination of the PC market in Japan, Mr Sekimoto argues NEC is well set for the era of



Source: Datastream

"downsizing" – the move away from large mainframe computers to smaller, yet powerful workstations and PCs – that has shaken the computer giants such as IBM.

While this may be true, in fact downsizing is only an expected trend in Japan. Mainframe sales in Japan grew last year, and NEC won 18 per cent of the market, with sales of 1,448 units and a 26 per cent growth in revenues.

In total, NEC's sales of computers and electronic equipment grew by 11 per cent last year to Y1,949bn.

But NEC did encounter problems in semiconductors.

In the mid-1980s NEC reduced its dependence on the price-volatile dynamic random access memory chips, which account for 25 production of chip production.

This helped to insulate NEC from the initial downturn in the market last year, which was concentrated in Dram chips, but was little help when the entire market turned soft.

NEC's external sales of electronic devices, mainly semiconductors, fell by 4.9 per cent last year to Y617bn, although, after including chips for internal use, production increased 2.7 per cent to Y946bn.

Semiconductors sales, however, are highly cyclical and the Electronic Industries Association of Japan has forecast continuing growth in the market for electronic devices at about 6 per cent a year.

Mr Sekimoto says that NEC should be able to beat the average rate of increase.

Sales of communication equipment were also down by 3.7 per cent to Y1,001.6bn, but this, too, is an area of expected high growth, even if NEC loses market share in a domestic market where competition is increasing.

Perhaps the only genuine blight on the accounts is NEC's Y193.2bn operating costs on Y164.4bn of sales in home electronics, which consists of VCRs, satellite dishes and the like.

Mr Sekimoto speaks glowingly of the prospects of using NEC technology in high-definition television.

Yet NEC's persistence in the highly competitive arena of consumer electronics, where it is a marginal player without an established brand name, appears more than anything to be a tribute to the difficulty Japanese companies have quitting a business.

Mr Myers commented that there was a significant misallocation of engineering resources.

It is plain that in spite of much talk in Japan about the need for structural change in industry with the end of an era of rapid growth, Mr Sekimoto is not about to let NEC be blown off course by the recession.

NEC is, of course, making concessions to the recession, including the cut in capital spending to Y210bn, mainly in the semiconductor business. This will help reduce future depreciation charges, which have swollen 30 per cent in three years to Y222.5bn last year.

Recruitment is being cut this year by 14 per cent to 1,200.

Even so, NEC is increasing research and development spending this year by 3 per cent to Y310bn, and Mr Sekimoto has no plans to overhaul the company's wide-ranging scientific and technical programmes.

He says: "Our growth rate depends on the success or failure of our development of new technology."

Profits 'likely to decline 7%' at Japanese groups

JAPANESE companies' profits for the business year ending March 31 1993 are likely to drop 7 per cent from year-earlier levels, the Yamaichi Research Institute of Securities and Economics said in a report, Reuter reports from Tokyo.

The Yamaichi report covered 673 companies from all industries.

Despite lower interest rates and accelerated public works projects, company profits will be hampered by heavy inventory burdens in the first half of 1992-1993. A recovery is unlikely until the second half, the report said.

But the surveyed companies' current profits should rebound the following year, rising 11.6 per cent from year-ago levels, the report said.

Premier Group turns in improved earnings

By Philip Gawith in Johannesburg

THE restructured Premier Group, the South African foods, pharmaceuticals and leisure company, improved earnings in the 13 months to the end of April.

Results have been restated in an annualised form to make them comparable with 1991. Turnover rose by 93 per cent to R9.8bn while trading profit was 12 per cent higher at R420.1m ($149.4m). Attributable earnings advanced 24 per cent to R190m.

The jump in turnover and the lower margins reflect the acquisition of controlling interests in Metro, Cash and Carry, Score supermarkets and Click stores, the first three chains being high turnover, low margin businesses. On an annualised basis, turnover of comparable operations rose by 13 per cent.

Other transactions included the sale of 50 per cent of Bonny Bird Farms and 50 per cent of Epol Animal Feeds. The results of CNA Gallo are no longer being consolidated.

Mr Peter Wrighton, chairman, said a highlight of the year's performance had been the substantial improvement in the group's gearing, with interest bearing debt down to R160.5m from R347.6m. The debt:equity ratio has improved to 10.6 per cent from 24.6 per cent. He said the low gearing, and the R80m cash in hand put the company in a good position to expand further.

Mr Wrighton also stressed the turnround in the performance of Metro and Score and the more than 50 per cent improvement in earnings at Twins Pharmaceuticals following a rationalisation programme and the elimination of borrowings.

Mr Wrighton also addressed the issue of food inflation which caused a public outcry when the Central Statistical Service said recently that it was running at 28.9 per cent per annum.

He pointed out that 70 per cent of this inflation originated from meat, vegetables and fruit and nuts – areas in which Premier is not involved. He also dismissed as "nonsense" claims that the country's severe drought might cause food prices to soar by as much as 45 per cent.

Earnings per share were 16 per cent up at 244 cents, and the dividend was lifted to 88 cents from 70 cents per share. Mr Wrighton forecast satisfactory growth for the year ahead.

Divisional contributions to turnover and attributable profits were, respectively: Cash and Carry – 40 per cent and 9.2 per cent; Food – 28.5 per cent and 59.9 per cent; Retail – 16.5 per cent and 7.5 per cent; Pharmaceuticals – 11 per cent and 15.5 per cent and Entertainment and Leisure – 4 per cent and 7.8 per cent.

SA group to restructure and sell non-core assets

By Philip Gawith in Johannesburg

SAGE group, the South African financial services, life assurance and property organisation, has announced a major restructuring.

Mr Louis Shill, founder and chairman of Sage, said the deal would increase the marketability of shares, enhance the expansion of core businesses and strengthen the capital base by combining the group's three segments into one.

In terms of the deal, Sage Financial Services (SFS) will cease to be a Sage subsidiary, acquire Sage Holdings and the non group-held Sage Property Holdings (SPH) shares. SFS will change its name to Sage Group, which will then have two divisions – property and finance, and life assurance.

Mr Shill also said Sage planned to dispose of non-core interests which would raise at least R300m ($106.7m). This would help reduce group gearing from its current level of 55 per cent to negligible levels.

The new group will have assets on the balance sheet of R3.2bn. This puts it in the second league of South African life companies. It does, however, have some important strategic investments, notably a 21 per cent holding in Universa, the company which holds 25 per cent of ABSA, South Africa's largest banking group; and a 26 per cent holding in Rand Merchant Bank Holdings.

The terms of the restructuring are that 270 new SFS ordinary shares will be issued for every 100 ordinary shares held in Sage, and 55.6 new SFS shares for every 100 ordinary shares held in SPH.

In the year to March, Sage Holdings lifted attributable earnings to R28.4m from R23.6m. Earnings per share rose 14.5 per cent to 118.07 cents and the dividend roseto 70 from 60 cents a share.

A share of Brazilian equity action

Life is becoming easier for foreign investors, writes **Bill Hinchberger**

BRAZIL'S macroeconomic changes are moving slowly by the standards of some of its Latin American neighbours – but capital market reforms, particularly for equities, are accelerating fast.

Foreign institutional investors can trade directly in Brazilian equities; a 25 per cent tax on stock profits has been eliminated for foreigners; institutional investors from abroad but registered in Brazil can trade currency and gold futures, and invest up to 25 per cent of their portfolios in domestic fixed-rate debt.

As a result, from a modest base, foreign portfolio investment in Brazil has begun to rocket. During the first four months of 1992, some $2.3bn entered the country, with $1.4bn going into equities. This compares with $1.5bn in the whole of last year, of which $760m was in shares. In 1990, overall foreign investment was $688m, and in 1989, $333m.

The road to reform can be traced to Mr Ary Oswaldo Mattos Filho, who in 1990 assumed the top spot at the CVM, Brazil's regulatory watchdog. He moved the commission out of its old headquarters in the financial backwater of Rio de Janeiro and relocated in Brasilia, the political capital. He then outlined proposals for change in a January 1991 blueprint.

Mr Mattos Filho implemented many of the plan's 50 points before leaving the CVM. Mr Roberto Faldini replaced him in March. Coincidentally or not, the last significant changes in capital market regulations were announced in January, when the definition of foreign institutions permitted to invest in Brazil was widened.

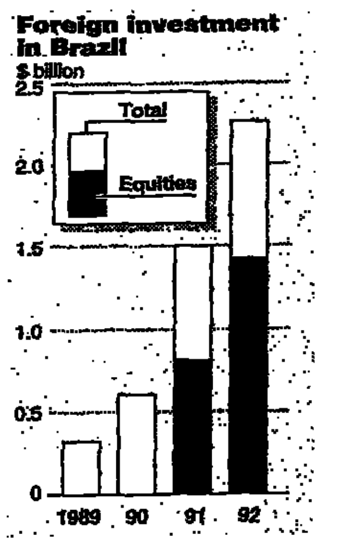
Mr Faldini seems more cautious than his predecessor. A former official of Abrasca, the association of public companies, and a director of Metal Leve, the car parts manufacturer, he is considered more sympathetic to company owners and management.

On taking office at the CVM, he voiced his opposition to Mr Mattos Filho's proposal to force Brazilian companies to issue higher proportions of voting stock. Owners of Brazilian companies generally prefer to offer non-voting shares, leaving stockholders few options for influencing policy.

This is encouraged by a requirement that Brazilian pension funds hold at least 25 per cent of their portfolios in equities, providing a captive market for non-voting stock in the narrow Brazilian bourses.

Many companies argue they do not offer voting shares because the secondary market is too small. Mr Mattos Filho, however, believed liquidity was lacking precisely because companies offer so few voting shares. Mr Faldini is opposed to plans, laid down by the former CVM chief, aimed at breaking this vicious circle through regulatory reform.

Foreign investment in Brazil



Mr Alvaro A. Vidigal, president of the Sao Paulo Stock Exchange (Bovespa), which accounts for 70 per cent of the country's trading, advocates eliminating the pension fund investment floor but letting companies determine the mix of their offerings.

Since the terrain was opened to foreign institutions last year, reformers have been calling for an invitation to individuals from abroad. Mr Vidigal favours the immediate introduction of these investors.

Mr Faldini publicly defends a gradual approach, first including citizens from Brazil's partners in the proposed Mercosur common market: Argentina, Paraguay and Uruguay. That move is expected later this year, when the final touches are put on an agreement that will give investors from Mercosur countries equal footing with native citizens in each of the four countries.

First, however, negotiators must resolve the issue of capital gains tax, which exists in Brazil, for instance, but not in Argentina.

Meanwhile, Bovespa wants to guarantee greater openness. One step has been to adopt electronic trading. It is also strengthening self-regulation.

In May, its administrative council upheld an earlier ruling to punish directors and market operators of Banco Garantia, who were charged with selling stocks at below market price to bring down the exchange's Ibovespa index. The offending shares were primarily those of Telebras, the state-controlled telecommunications company that accounts for over half of trading.

The individuals were suspended for one year and fined $25,000 each, the maximum by law. Bovespa is now investigating Garantia (as opposed to individual directors and employees), and may bring charges against the bank.

Record issues at Fannie Mae

THE FEDERAL National Mortgage Association has issued a record $19bn of mortgage-backed securities in May, up from $17.9bn in April, Reuter reports from New York.

Of this, a record $16.7bn was backed by new loans, as opposed to mortgages in Fannie Mae's portfolio, the association said. Lender-originated mortgage issues were $16.5bn in April.

Fannie Mae mortgage-backed securities outstanding grew to $404.4bn at May 31, up $8.6bn or a 26 per cent annualised rate from a month earlier.

Kredietbank expands overseas

KREDIETBANK, which usually presents itself as the most regional of the three big Belgian banks, wants to put on a more international face, Reuter reports from Brussels.

Announcing the opening of new branch offices in Manchester, Dublin, Maastricht, Berlin, Paris and Moscow, Mr Marcel Cockaerts, chairman, said: "We want to grow in concentric circles [around Belgium]."

Mr Cockaerts told the bank's annual press conference that a "strong home base is the point of departure for a growing international activity in a unifying Europe".

The bank wants to build a network of subsidiaries in neighbouring countries and a presence in other countries if warranted.

The new policy is already reflected in the balance sheet: at the end of March, 47.1 per cent of non-consolidated assets were foreign, up from 43 per cent a year ago and 38 per cent in 1987.

"In volume, foreign transactions are now as important as domestic ones," Mr Cockaerts said.

He said domestic retail banking still accounted for two-thirds of the bank's net profit, with the other one-third coming from banking abroad and professional business.

However, slower earnings growth from domestic banking would hit Kredietbank's 1992 profit growth, he said.

"The pressure on our Belgian francs interest rate margin has increased," Mr Cockaerts said. He said that, unlike last year, Kredietbank would not be able to fully compensate the rising cost of client deposits with a higher margin on lending rates.

He said net profits in 1992 would increase, but not by as much as the 21 per cent jump to BFr7.4bn ($226m) in 1991-92.

The banks plans to change its financial year-end to December. This year's accounting period will this run for nine months.

NEWS IN BRIEF

KIO names new head of Spanish operations

THE KUWAIT Investment Office (KIO) has appointed a new head of operations in Spain following the resignation of its Spanish partner last week, Reuter reports from Barcelona.

Grupo Torras, KIO's Spanish arm, says a newly-appointed board met in London yesterday and named Ali al Bader as chairman and Mahmoud Al Nouri as deputy chairman with executive functions to replace Javier de la Rosa.

Mr de la Rosa stepped down to pursue private interests.

■ SPAIN'S state industrial holding company, Instituto Nacional de Industria (INI), has agreed with Bankers Trust of the US to launch a joint financial venture in Spain, AP-DJ reports from Madrid.

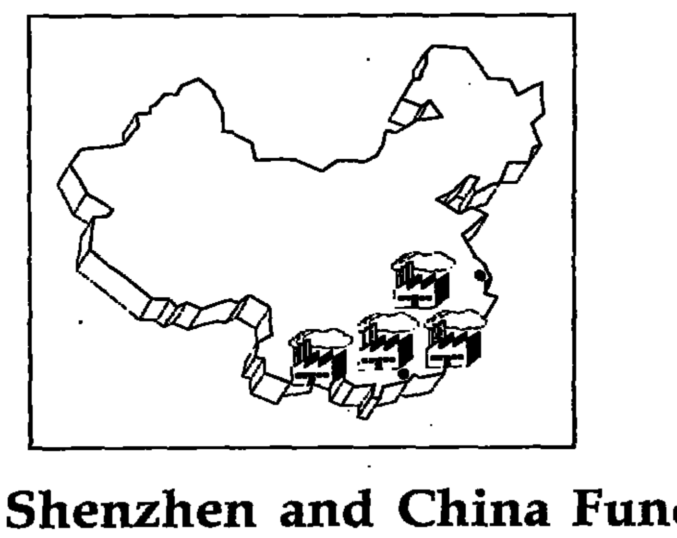
INI said the venture would set up a portfolio management company, dealing with real estate investments and pension funds. The new company will be owned equally by Bankers Trust and by INI through its insurance unit, Sociedad Mutua de Seguros y Reaseguros (Musini).

■ ITALIAN-SWISS group, Sasea Holding, has filed a request for protection from creditors with a Geneva court. Under the filing, creditors would agree to a partial payment of debts and the company would continue with some of its activities, Reuter reports from Milan.

The company said it reached agreement with some of its banks which would allow it to continue some operations and assure liquidity for the partial debt settlement.

Under the requested *sursis concordataire*, Sasea would propose a fixed-rate settlement to its individual creditors in proportion to the debt owed.

■ CANADIAN Marconi, controlled by British General Electric, will supply a new navigation aid to Honeywell for incorporation in the US firm's family of commercial aircraft instrument systems.



NOTICE TO THE HOLDERS OF

Renown Incorporated

(the "Company")

U.S. $35,000,000
5¾ per cent. Convertible Bonds Due 1996

(the "Bonds")

At the Ordinary General Meeting of Shareholders of the Company held on 27th March, 1992, a resolution was adopted to amend the Company's Articles of Incorporation so as to change the Company's financial year-end from 31st December to 31st January. As a transitional measure, the Company will have two irregular financial periods, the first running from 1st January, 1992 through 31st July, 1992 and the second commencing on 1st August, 1992 and ending on 31st January, 1993. The first new full financial year will begin on 1st February, 1993.

The interest period (each 12 month period ending on 31st December) and the interest payment date (31st December) with respect to the Bonds will not be changed. However, to take account of the above change in the financial year-end, the Company and The Industrial Bank of Japan Trust Company (the "Trustee") have entered into a supplemental trust deed (the "Supplemental Trust Deed") amending the Trust Deed dated 17th December, 1981 which constituted the Bonds, and the Terms and Conditions of the Bonds (the "Conditions"). The Supplemental Trust Deed has, in particular, amended:

(i) the definition of "Dividend Accrual Period" in Condition 5(B)(iii) to "the periods commencing on 1st January, 1992 and ending on 31st July, 1992, and on 1st August, 1992 and ending on 31st January, 1993 and thereafter each 12 month period ending on 31st January in each year, provided that if the Articles of Incorporation of the Company are amended as provided hereinafter in this sub-paragraph (iii) or the Company shall change its financial year so as to end on a date other than 31st January the foregoing period shall be amended *mutatis mutandis*."; and

(ii) Condition (5)(B)(iii) to provide that any Bondholder who converts his Bond(s) during the periods from 1st August to 31st December, 1992 (both days inclusive), or from 1st Februry to 31st December (both days inclusive), in any year starting 1993 will receive an amount equivalent to the interest accrued calculated at the rate of 5¾ per cent. per annum for the number of days elapsed during the period commencing on 1st January and ending on 31st July i.e. 210 days or (as the case may be) the period commencing on 1st January and ending on 31st January i.e. 30 days, immediately preceding the conversion date, through the Conversion Agent with which the Bonds have been deposited for conversion to or to the order of the relevant Bondholder. No other payment or adjustment will be made upon conversion for interest accrued on Bonds surrendered for conversion since the interest Payment Date last preceding the relevant Conversion Date.

No amendment has been made with respect to conversions of Bonds made during the periods from 1st January to 31st January in any year starting 1993 (both days inclusive). Thus, those Bondholders who, after collecting interest payments on their Bonds on 31st December in any year, convert their Bonds during the month of January in the following year, will also be able to collect dividends, if any are declared on 31st January in the following year and they choose to continue to hold the shares issued upon such conversion through such 31st January.

The foregoing amendments were made with effect from 27th March, 1992. Copies of the Trust Deed and the Supplemental Trust Deed are available for inspection at the principal office of the Trustee and the specified offices of the Paying and Conversion Agents listed below.

Trustee:
The Industrial Bank of Japan Trust Company 245 Park Avenue, New York N.Y. 10167

Paying and Conversion Agents:
Daiwa Europe Limited, 5 King William Street, London EC4N 7AX. **Robert Fleming & Co. Limited**, 25 Copthall Avenue, London EC2R 7DR. **The Sumitomo Bank, Limited**, Temple Court, 11 Queen Victoria Street, London EC4N 4TA. **Banque Nationale de Paris**, 16 boulevard des Italiens, 75009 Paris. **DG Bank Deutsche Genossenschaftsbank**, Am Platz der Republik, D-6000 Frankfurt/Main 1, **Pierson, Heldring & Pierson N.V.** Rokin 55, 1012 KK Amsterdam, **Union Bank of Switzerland**, Bahnhofstrasse 45, CH-8023 Zurich and **Morgan Guaranty Trust Company of New York**, Avenue des Arts 35, B-1040 Brussels.

The Bonds will not be stamped or exchanged as a result of the amendment and will remain listed on the Luxembourg Stock Exchange.

Renown Incorporated
President and Representative Director

C. ITOH & CO. LTD

To the Holders of the Bearer Depositary Receipts

Notice is hereby given that the 68th General Meeting of Shareholders of C. Itoh & Co. Ltd., will be held at 10.00 a.m. on 26th June, 1992, at the Head Office of the company located at 1-3 Kyutaro-Machi, 4-Chome, Chuo-Ku, Osaka, Japan. Notice of convocation of the meeting is available at the Stock Counter, Hambros Bank Ltd., 41 Tower Hill, London EC3N 4HA, U.K. and Banque Internationale à Luxembourg S.A., 2 Boulevard Royal, Luxembourg.

Business Operations and Results for 1991/1992 Fiscal Year (ended 31st March, 1992)

During Fiscal 1992, ended 31st March, 1992, the Japanese economy experienced first-half expansion, albeit slow, supported by growing domestic demand. The second half was characterised by a falloff in domestic demand and inventory level adjustment by enterprises. As a result, commodity prices downtrended, and conditions worsened for companies.

Despite the tight labour market, an easing in demand and supply imbalances for manufactured goods began to gain strength toward the end of the period, and during the fourth quarter a trend toward more balanced economic conditions emerged.

The Bank of Japan lowered the official discount rate three times during the period and lifted restrictions on land-related financing in late December. Late in the period, the Government announced implementation and promotion of public works-related projects as part of its emergency economic measures. Stock Market conditions throughout the year were sluggish, with a major plunge in prices occurring at the end of the period.

The U.S. economy declined during the first half. After the third quarter, private consumption levels peaked and production in the mining industry was sluggish, bringing chances for a recovery to a standstill. In Europe, lacklustre economic conditions continued to prevail in Britain. Although market conditions remained bullish in Germany during the first half of the year, a slower, more balanced pace has been evident since last Fall. In France and Italy, economic developments have also decelerated.

Conversely, in Asia, the newly industrialised nations' prolonged economic expansion continued, supported by strong domestic demand and an increase in intra-regional exports. On the whole, members of the Association of Southeast Asian Nations were able to maintain high growth rates, aided by an increase in direct investment from abroad. China's economy was characterised by reassuring trends toward recovery. Despite the creation of the Commonwealth of Independent States in December last year, economic conditions in the area continue to deteriorate.

In this operational environment, C. Itoh initiated Global 93, its midterm operational plan (1991 through 1993) to realise its vision for the 21st century. We have inaugurated the first stage of structural reform aimed at transforming the company to meet the vision embodied in its slogan "globally integrated corporation". We also began implementing a variety of measures to expand our earnings capability and to prepare for our future advancement.

To prepare for the arrival of the multimedia age and to assure our full-scale participation in the strategic visual media and information field, we established a tie-up with the world's largest visual media and publications company the U.S.-based Time Warner Inc. Toshiba Corp., C. Itoh and Time Warner have agreed to provide funding to a U.S. venture responsible for Time Warner's existing business in producing and distributing movies and other products, and in handling Time Warner's cable network operations and programme supply. Together with our partners, we have also agreed to organise and finance the establishment of a similar business in Japan.

Our Shanghai operation was the first wholly owned subsidiary ever set up by a Japanese trading company in China. We are participating in a number of other cooperative ventures, including a large-scale industrial park development project in Da Lian. The company is engaged in long-term strategic planning in China, where progress on economic reform is occurring.

C. Itoh is involved in cooperative projects with major domestic and foreign engineering companies, including the construction of a new, large-scale oil refinery for the state-run Malaysia Oil Company, and the supply of goods to China's Tienjin Consolidated Chemicals Co. for use at their ethylene plant. We are also actively involved in plant construction projects in other overseas locations.

At the same time, we are working to help resolve global environmental issues and making contributions to the international community. As a global corporation, our cooperative efforts during the year included the provision of research assistance to the Global Weather Studies Research Endowment Division, an organisation working together with the University of Tokyo's Weather System Research Center to preserve the world environment. We also contributed to the training of international specialists through the special research lecture series offered by the University of Maryland in the United States.

Sales during the Fiscal Year, although hampered by the effects of Japan's economic downturn during the last half of the year, recorded strong performances. Exports of plant-related equipment to southeast Asia and Africa and automobile exports to Europe climbed. Import transactions, however, declined, with falling crude oil prices leading to lower energy imports. The slack import market for nonferrous metals and produce and provisions, together with declines in overseas dealings in precious metals and energy, resulted in lower import levels. As a result, total trading transactions in Fiscal 1992 were 21.118 trillion Yen, 2.8 per cent lower than during Fiscal 1991.

Gross trading profit rose 4.2 per cent from the preceding year to 239.7 billion Yen, supported by strong domestic activity and greater export transactions. As a result of bad debts written off, selling and general and administrative expenses rose and our balance of financial expenses worsened. Profits on securities sold led to a rise in non-operating income. Ordinary profit declined 16.7 per cent to 54.2 billion Yen. As a result of adjustments for subsidiaries and extraordinary losses, net income fell 42.7 per cent to 19.0 billion Yen.

Annual Report for the 1991/1992 Fiscal Year will be available at Hambros Bank Ltd. and Banque Internationale à Luxembourg S.A. by the end of July, 1992.

HongkongBank
The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)

U.S.$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(SECOND SERIES)

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date September 11, 1992 in respect of $5,000 nominal of the Notes will be $63.89 and in respect of $100,000 nominal of the Notes will be $1,277.78.

June 11, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

U.S. $275,000,000
of which
U.S. $200,000,000 has been Issued as the Initial Tranche

The Bank of New York Company, Inc.

Floating Rate Subordinated Capital Notes due 1997

Notice is hereby given that the Rate of Interest has been fixed at 5.25% p.a. and that the interest payable on the relevant Interest Payment Date, September 11, 1992 against Coupon No. 27 in respect of U.S.$10,000 nominal of the Notes will be U.S.$134.17.

June 11, 1992 *London*
By: Citibank, N.A. (Issuer Services), Reference Agent CITIBANK

INTERNATIONAL CAPITAL MARKETS

Treasuries becalmed ahead of economic data release

By Patrick Harverson in New York and Sara Webb in London

FOR the second consecutive day, a reluctance to trade actively ahead of important economic figures left US Treasury markets becalmed yesterday morning.

GOVERNMENT BONDS

By midday, the benchmark 30-year government issue was down ⅛ at 101¼, yielding 7.889 per cent. The two-year note was also slightly weaker at midsession, down ⅛ at 100⅛, yielding 5.074 per cent.

Treasury prices were actually firmer overnight in foreign markets, but as soon as New York opened they began to give ground.

A prediction late on Tuesday by Mr Robert Black, president of the Richmond Federal Reserve, that the US economy could sustain a 3 per cent growth rate, also unnerved investors yesterday morning.

The dominant trend in the market, however, was an unwillingness to take large positions ahead of today's economic data. The consensus of forecasts is for a 0.3 per cent rise in May producer prices and a 0.7 per cent rise in May retail sales.

If the inflation number is significantly better and the retail sales much worse than the consensus, then the chances of another Fed interest rate cut will improve. Few market participants, however, are expecting any surprises from the data.

In the credit markets, the Fed arranged $2bn in customer repurchase agreements to add reserves to the system and push the Fed funds rate lower. At the time of the intervention Fed funds were trading at 3¾ per cent, and by midday remained stuck at that level, slightly below the Fed's target of 3¾ per cent.

Analysts said the customer repos were not an attempt by the Fed to ease monetary policy.

■ DOMESTIC buying interest helped to support the UK government bond market with long-dated issues closing about ¼ of a point higher on the day.

The gilt market traded in a narrow range, opening on a weak note but gaining strength from the firmness of the pound. The Liffe futures contract opened at 97.24, trading between 97.21-97.30 and ending the day at the top of its range. The benchmark 11¾ per cent gilt due 2003/07 rose from 115⅞ to 116⅛ to yield 9.32 per cent.

However, traders said gains at the far end of the maturity range were held in check by concerns about future supply. The Bank of England announced last week that it would sell stock in the 2007-2012 maturity range at its auction on June 24. Yesterday, dealers said the rise in the 9 per cent gilt due 2012 (which is considered a possible auction stock) was limited by concern about supply in this area, with the issue rising only ⅛ to 99⅞.

The Bank is due to announce the auction stock next Tuesday.

■ THE German government bond slipped back during the day following the weakness of the Deutschemark in the foreign exchange markets.

The Liffe bund futures contract opened at 88.37 and drifted down to a low of 88.16 before regaining some of its lost ground to end at around 88.30. Traders said they saw some profit-taking following the bund market's recent rally in the wake of Denmark's rejection of the Maastricht Treaty. Last week's referendum result shook the European government bond markets and prompted investors and dealers to switch out of the higher-yielding bond markets into the D-Mark bloc.

■ JAPANESE government bonds opened on a depressed note, due to the combination of a weaker yen and the overnight fall in the US Treasury market, but picked up to close slightly higher on the day.

Dealers said buying interest was stronger for short-dated issues than for longer maturities. The benchmark No 129 issue traded in a narrow range, opening with a yield of 5.53 per cent and ending the day at 5.51 per cent.

"The market is sidelined, awaiting fresh factors", said one trader, adding that many of the market participants are waiting for the release of the Bank of Japan's quarterly "Tankan" report tomorrow.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	106.8267	-0.174	8.97	9.00	9.44
BELGIUM		9.000	06/01	100.6500	-0.200	8.89	8.87	8.80
CANADA *		8.500	04/02	100.9500	-0.250	8.35	8.43	8.58
DENMARK		9.000	11/00	100.2200	-0.060	8.94	8.83	8.77
FRANCE	BTAN	8.500	03/97	98.3013	-	8.93	8.87	8.89
	OAT	8.500	11/02	98.3500	+0.060	8.73	8.68	8.57
GERMANY		8.000	01/02	100.5000	-0.100	7.91	7.87	7.97
ITALY		12.000	02/02	95.9600	+0.690	13.13†	12.94	12.58
JAPAN	No 119	4.800	06/99	95.2439	+0.003	5.75	5.78	5.85
	No 129	6.400	03/00	104.8172	-0.001	5.51	5.50	5.59
NETHERLANDS		8.250	02/02	99.7000	+0.050	8.28	8.36	8.30
SPAIN		11.300	01/02	99.1500	+0.400	11.42	11.22	10.86
UK GILTS		10.000	11/96	102-23	+2/32	9.23	9.21	9.27
		8.750	08/02	103-28	+5/32	9.15	9.10	9.15
		9.000	10/08	99-24	+1/32	9.03	8.92	9.02
US TREASURY *		7.500	05/02	101-03	-1/32	7.34	7.35	7.39
		8.000	11/21	101-07	-4/32	7.89	7.89	7.89
ECU (French Govt)		8.500	03/02	97.1400	+0.180	8.94	8.81	8.63

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Row erupts over Italian bond trade settlement

By Tracy Corrigan

A ROW over the settlement of Italian government bonds traded during turbulent market conditions last week has broken out between several London-based firms and a number of Italian banks.

A US investment bank, a Swiss bank and a broking firm are among the London-based firms to have experienced disputed trades with Italian banks.

The trades, entered last week when the market fell sharply after the Danish referendum rejecting the Maastricht Treaty, should have been settled this week. But some Italian banks have claimed trades are void because settlement had not occurred within three days, the standard settlement period in the domestic market.

In the international market, when bonds are cleared through Cedel or Euroclear, seven days is the standard settlement period.

Failure to settle within the standard time is usually penalised by the charging of interest, according to one of the London-based banks. Consequently, they are challenging the Italian banks' position that, under Italian legislation introduced at the start of this year, the trades can be considered void, or a surcharge levied.

The issue raises a number of legal questions on the jurisdiction of domestic and international domains which have yet to be clarified.

The international bond markets are regulated by the International Securities Market Association, which is a regulatory body in the UK.

"If there is a transaction between two ISMA members in an ISMA product, then ISMA regulations, including seven-day settlement, should apply," said an ISMA official.

Many banks face substantial losses in the Italian government bond market, which is down three points since the Danish referendum result. The bid/offer spreads quoted by traders have widened, and some liquidity has disappeared, as banks try to minimise losses.

Widespread selling by international investors, who had been enthusiastic buyers of the paper, left some Italian banks with the impression that they were expected to mop up pools of paper despite a lack of enthusiasm from domestic investors.

Canadian insurers move in on trusts

By Robert Gibbens in Montreal

MORE Canadian life insurance companies are understood to be planning links with trust companies to strengthen their defences against growing competition.

Last week, North American Life Insurance, with assets of C$7bn (US$5.8bn) and C$64bn insurance in force, paid C$51m to take over First City Trust, part of the ailing financial services empire of the Belzberg family.

North American Life is headed by a former banker, Mr William Bradford. Two government deposit insurance agencies put up C$175m in loans to restore the trust company's capital position.

Mr Bradford called the deal an excellent strategic fit. First City has 31 retail trust branches across Canada and a deposit base of C$3bn.

The deal is fully in step with Canada's new financial services legislation now coming into force and which is aimed at making a more competitive industry. Banks, insurance companies, investment dealers and trust companies can invade each other's territory, subject to federal supervision.

In recent months, insurance companies have taken over 20 trusts. Manufacturers Life, Sun Life and Laurentian Life have bought trusts and North American Life is buying First City Trust. The trend is towards towards more concentration in financial services.

The acquisitions allow the insurance companies to move into consumer lending and deposit-taking, as well as developing the traditional fiduciary services.

However, trusts have been poor profit-makers in the long recession and some are losing money. Some big life companies are refusing to join the rush. Great-West Life, for example, does half its business in the US and is actively expanding there.

Mobil tests demand for sterling paper

By Tracy Corrigan

FIRMER demand for sterling bonds was tested yesterday by a £110m seven-year deal for Mobil North Sea Oil. The deal was considered aggressively priced to yield 30 basis points more than the comparable gilt issue. Deutsche Bank Capital Markets won the mandate to arrange the issue, after the borrower took bids from a range of banks.

INTERNATIONAL BONDS

Eurosterling bonds are trading at historically tight levels. The World Bank's 10 per cent Eurobonds 1999 are yielding 23 basis points less than the comparable gilt. Deutsche Bank said the pricing was reasonable compared with BP's 9¼ per cent Eurobonds due 1998 which are trading at a spread of 32 basis points over the curve, since BP is considered a weaker credit than Mobil.

Nevertheless, a 30 basis point spread was considered over-ambitious by some dealers. "We did sell bonds, but could not have got rid of a large chunk," said one trader.

The deal was quoted at 99.40, fractionally above its fixed reoffer price.

Dealers have reported that the Eurosterling bond market has been a beneficiary, to some degree, of the malaise in some other European bond markets. Although the sterling bond market lost some ground after the Danes rejected the Maastricht Treaty, it has held up relatively well, and is one of the higher-yielding European markets still considered relatively secure. Dealers report some funds put aside for the Ecu bond market have been used to buy sterling Eurobonds.

In the French franc sector, two new issues emerged on the back of firmer market conditions. Crédit Local de France added FFr1bn to its recent issue of 15-year zero-coupon bonds, while Société Nationale des Chemins de Fer Français, the national railway, issued FF3bn bonds, split between domestic and international investors.

A further French franc deal is expected to add to already heavy supply in the sector this week when Caisse Nationale des Autoroutes, the motorway financing agency, taps the market today. CNA is believed to be preparing a FF2bn nine-year deal, having cancelled plans to issue in Ecu.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hitachi Credit Corp(a)†	100	7.125	101.115	1997	1.875/1.75	Nomura Intl.
STERLING						
Mobil N.Sea Oil(a)†	110	9.625	100.916	1999	1.875/1.25	Deut.Bk.Cap.Mkts
CANADIAN DOLLARS						
Hamilton-Wentworth(e)†	75	8.25	100.875	2002	2/1.625	Wood Gundy
GUILDERS						
Rabobank(a)†	300	8.5	100.975	1997	1/0.625	Rabobank
FRENCH FRANCS						
Credit Local de France(b)†	1bn	zero	27.72	2007	25bp	BNP Cap.Mkts.
SNCF(d)†	3bn	8.6	97.351	2004	1.30	Credit Agricole
YEN						
Fuji Electric Corp(c)†	30bn	(c)	101.80	1997	1.875/1.5	Nikko Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with outstanding FFr2bn deal. Non-callable. c) Coupon pays 4.75% from 24.6.92 to 30.9.92 then 6.10 annually thereafter. d) Investors' option to increase by 20pc until 17.6.92. e) Put option at par exercisable once only on 22.7.92. Full name of borrower: Regional Municipality of Hamilton-Wentworth. Coupon increases to 8.75pc after put option.

Moody's cuts rating on four Japanese trust banks

By Emiko Terazono in Tokyo

MOODY'S Investor Service, the US credit ratings agency, lowered the ratings of four Japanese trust banks due to their vulnerability to the volatile stock market and deterioration in earnings quality.

Moody's lowered long-term debt ratings of Mitsubishi Trust and Banking and Sumitomo Trust and Banking to A2, and Yasuda Trust and Banking and Toyo Trust and Banking to A3.

Moody's said that the trust banks were affected by financial liberalisation in Japan, and faced lower profitability due to the sharp falls in stock and real estate prices.

The trust banks have substantial bad loans to real estate companies and non-bank financial institutions. Trust banks are also hurt by the decline in fee based income from discretionary investment management and real estate broking.

● Japan's Deposit Insurance Corp (DIC) will give Sanwa Bank Y20bn ($156m) to assist its merger with Toyo Shinkin Bank, Reuter reports from Tokyo.

DIC said the money would be given as a grant, which does not need to be repaid.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 10

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106½	+⅛	6.16
ALBERTA PROVINCE 9 3/8 95	600	108⅝	109	-⅛	6.43
AUSTRIA 8 1/2 00	400	105½	105⅞	-⅛	7.51
BANK OF TOKYO 8 3/8 96	100	104¼	105	+⅛	7.05
BELGIUM 9 5/8 98	250	110⅝	111¼	-⅛	7.39
BFCE 7 3/4 97	150	103¼	103¾	+⅛	6.94
BNP 8 5/8 94	300	106	106½		5.57
BRITISH GAS 8 3/8 99	350	104⅝	105⅛	-⅛	7.51
CANADA 9 96	1000	108½	108⅞	-⅛	6.34
CARCO 9 1/4 96	650	106¼	106⅝	+1¼	7.48
CCCE 9 1/4 95	300	108	108⅜		5.96
COUNCIL EUROPE 8 96	100	103⅞	104⅝	+½	6.89
CREDIT FONCIER 9 1/2 99	300	110½	110⅞		7.44
DENMARK 8 1/4 94	150	105¼	105⅝		5.61
DENMARK 9 1/4 95	1571	107⅞	108¼	+⅛	6.07
ECSC 8 1/4 96	193	105	105⅜	-⅛	6.90
EEC 8 1/4 96	100	105¼	105⅝	-⅛	6.72
EIB 7 3/4 96	250	104	104⅝	-⅛	6.59
EIB 9 1/4 97	1000	109¾	110¼	-⅛	7.01
ELEC DE FRANCE 9 98	200	107⅞	108¼	-⅛	7.27
EURO CRED CARD TST 9 94	325	105⅝	106	+⅛	6.43
EUROFIMA 9 1/4 96	100	108¼	108⅞		6.71
EXPORT DEV CORP 9 1/2 98	150	110¼	110⅝		7.35
FINLAND 7 7/8 97	200	102⅝	103¼	-⅛	7.24
FINNISH EXPORT 9 3/8 95	200	108⅝	109		6.43
FORD CAPITAL 9 3/4 97	250	108⅛	108½	-⅛	7.72
GEN ELEC CAPITAL 9 3/8 96	300	108⅝	109⅜	-⅛	6.80
GMAC 9 1/8 96	200	105⅞	106½	-⅛	7.26
GUINNESS FINANCE 8 94	200	104¼	104⅝		5.77
IBM INTL FIN 7 3/4 94	200	103⅞	104¼		5.48
IND BK JAPAN FIN 7 7/8 97	200	102⅛	102⅝	-⅛	7.33
INTER AMER DEV 7 5/8 96	200	103¼	103⅝	-⅛	6.67
ITALY 8 1/2 94	1500	106½	106⅞	-⅛	5.49
JAPAN DEV BK 8 94	150	104⅝	105		5.42
KANSAI ELEC PWR 10 96	350	110½	111	-⅛	6.76
LTCB FIN 8 97	200	102⅝	103	+⅛	7.36
NEW ZEALAND 9 94	850	106½	107	-⅛	5.78
NIPPON CRED BK 10 3/8 95	150	109½	110¼	+⅛	6.84
NIPPON TEL & TEL 9 3/8 95	200	107⅞	108½	-⅛	6.13
ONTARIO 8 1/2 01	600	102⅝	103⅛	-⅛	8.06
ONTARIO HYDRO 11 5/8 94	200	109	109⅜	-⅛	5.75
OSTER KONTROLLBANK 8 1/2 01	200	105	105⅜	-⅛	7.68
PETRO-CANADA 7 1/4 96	200	101⅞	103	+⅛	6.69
QUEBEC HYDRO 9 3/4 98	150	109¼	109⅞	-⅛	7.84
QUEBEC PROV 9 98	200	106⅛	106¾	-⅛	7.65
SAINSBURY 9 1/8 96	150	107⅛	108	-⅛	7.13
SAS 10 99	200	106⅛	107⅝	-⅛	8.64
SBAB 9 1/2 95	500	108⅝	108⅞	-⅛	6.32
SNCF 9 1/2 98	150	110¼	110⅝	-⅛	7.35
STATE BK NSW 8 1/2 96	200	104¾	105¼	-⅛	7.25
SWEDISH EXPORT 8 3/8 96	700	105⅞	106¼	-⅛	6.58
TOKYO ELEC POWER 8 3/4 96	300	106⅝	107⅛		6.87
TOKYO METROPOLIS 8 1/4 96	200	105¼	105⅝	-⅛	6.85
WORLD BANK 8 3/8 99	1500	106¼	106½	-⅛	7.39
WORLD BANK 8 3/4 97	1500	108¼	108½	-⅛	6.79
XEROX CORPN 8 3/8 96	100	103	104½	-⅛	7.51

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	99⅞	100⅛	+⅛	8.51
AUSTRIA 6 3/4 99	750	92⅛	92⅝	+⅛	8.30
BNP 8 1/4 01	200	100	100½		8.24
DEUTSCHE FINANCE 7 1/2 95	1000	96½	96⅞		9.02
EIB 5 3/4 98	400	89⅛	89⅝		8.11
EIB 6 1/4 99	600	90½	91	+⅛	8.15
EUROFIMA 8 3/4 96	400	100¾	101¼	+⅛	8.51
FIRST INTERSTATE 5 3/4 96	100	86	86		10.27
IND BK JAPAN FIN 5 5/8 96	200	89⅛	89⅝	-⅛	8.90
INTER AMER DEV 9 00	300	104⅝	105¼		8.21
IRELAND 6 1/2 99	300	90¼	90⅝	+⅛	8.45
LUFTHANSA INT FIN 5 7/8 98	500	88⅛	88⅝		8.40
NAT BK HUNGARY 10 3/4 98	500	100¼	100¾		10.67
QUEBEC HYDRO 8 5/8 01	600	100⅞	101⅛		8.48
SWEDEN 6 1/8 98	300	89¼	90	+⅛	8.43
TURKEY 10 3/4 96	500	100½	100⅞		10.56
WORLD BANK 0 15	2000	19⅞	20¼		7.11
WORLD BANK 5 3/4 96	300	91⅞	92¼		8.34
WORLD BANK 8 3/4 00	1250	103¼	103¾	+⅛	8.17

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	87	89		7.30
AUSTRIA 4 5/8 98	100	87¼	88¼	-⅛	7.33
CHUBU ELEC POWER 6 3/4 01	300	98	99	-½	7.06
COUNCIL EUROPE 4 3/4 98	250	88½	89		7.28
EEC 5 1/2 00	100	89¼	89¾	+⅛	7.23
EIB 6 1/2 98	800	98¼	98¾	-⅛	6.85
ELEC DE FRANCE 7 1/4 06	100	100½	101	-1	7.18
FINLAND 5 3/8 95	150	93¼	94½		7.52
GENERAL MOTORS 7 1/2 95	100	100	101		7.48
JAPAN DEV BK 5 1/2 94	100	95½	96	+¼	8.47
KOBE 6 3/8 01	240	96	97½	-½	6.98
NEW ZEALAND 4 7/8 99	200	88	88¾		7.20
QUEBEC HYDRO 5 08	100	73	74	-1	8.08
WORLD BANK 5 03	150	84	85		7.12
WORLD BANK 7 01	600	101¼	101¾	-⅛	6.82

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99⅞	100		4.98
CREDIT FONCIER 5 1/4 94	20000	99⅞	100¼	+⅛	5.29
DENMARK 7 95	40000	104⅜	104⅝		5.17
EIB 4 5/8 94	40000	99⅞	100¼		4.69
ELEC DE FRANCE 5 5/8 96	20000	100⅝	101⅛	+⅛	5.46
FINLAND 6 3/4 96	50000	103⅜	103⅝	+⅛	5.72
INTER AMER DEV 7 1/4 00	30000	108⅛	108⅝	+⅛	5.90
KANSAI ELEC PWR 4 5/8 94	60000	99¼	99½		5.12
NIPPON TEL & TEL 5 7/8 96	50000	101	101¼	+⅛	5.60
NORWAY 5 1/8 95	50000	99¾	100		5.21
SNCF 6 3/4 00	30000	105¼	106¼		5.80
SWEDEN 5 5/8 95	20000	100⅜	100⅞	+⅛	5.49
WORLD BANK 6 3/4 00	50000	106½	106¾	+⅛	5.69

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¾	95¾		9.85
COPENHAGEN TEL 8 5/8 96 LFr	600	98¾	99¾		9.15
WORLD BANK 8 96 LFr	1000	96⅞	97⅞		8.98
ENERGIE BEHEER 8 3/4 98 Fl	500	102⅞	103¼		8.14
UNILEVER 9 00 Fl	500	105	105½		8.13
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅞	107¼	-⅛	8.35
BELL CANADA 10 5/8 99 C$	150	107½	108	-⅛	9.13
BRITISH COLUMBIA 10 96 C$	500	105¼	105½	-⅛	8.43
EIB 10 1/8 98 C$	130	106¼	107¼	+⅛	8.65
ELEC DE FRANCE 9 3/4 99 C$	275	105	105½	-⅛	8.77
FORD CREDIT CANADA 10 94 C$	100	103½	104¼	+⅛	8.15
GEN ELEC CAPITAL 10 96 C$	300	105¼	105⅝	-⅛	8.44
KFW INT FIN 10 01 C$	400	105⅝	106¼	-⅛	9.03
NIPPON TEL & TEL 10 1/4 99 C$	200	106¼	106⅞	-⅛	9.01
ONTARIO HYDRO 10 7/8 99 C$	500	108¼	108½		9.20
OSTER KONTROLLBANK 10 1/4 99 C$	150	107¼	107⅝		8.85
QUEBEC PROV 10 1/2 98 C$	200	106¼	106¾	-⅛	9.18
BELGIUM 9 1/8 96 Ecu	1250	99⅞	100	-⅛	9.14
CREDIT LYONNAIS 9 96 Ecu	125	98¼	99⅛	-⅛	9.59
DENMARK 7 5/8 96 Ecu	250	93½	94⅛	-⅛	9.70
EEC 7 5/8 94 Ecu	200	96¼	97¼	+⅛	9.73
EIB 10 97 Ecu	1125	103¼	103¾	-⅛	9.03
FERRO DEL STAT 10 1/8 98 Ecu	500	103	103¼		9.38
ITALY 10 3/4 00 Ecu	1000	108¼	108¾		9.24
UNITED KINGDOM 9 1/8 01 Ecu	2750	101	101¼	+⅛	8.94
BP AMERICA 12 1/4 96 A$	100	110½	111	+⅛	8.80
COMM BK AUSTRALIA 13 3/4 99 A$	100	120¼	120⅝		9.72
EKSPORTFINANS 12 3/8 95 A$	75	111⅛	112¼		7.84
EUROFIMA 14 5/8 94 A$	75	112⅛	112⅞		7.43
MCDONALDS CANADA 15 95 A$	100	116½	117	+⅛	8.61
NAT AUSTRALIA BANK 14 3/4 94 A$	150	111⅛	111⅞	+⅛	7.25
STATE BK NSW 14 1/4 99 A$	100	121⅞	122¼		9.88
UNILEVER AUSTRALIA 12 98 A$	150	111½	111⅞	+⅛	9.33
VOLKSWAGEN INTL 15 94 A$	100	112⅛	112⅝	+⅛	7.66
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108¼		9.87
ALLIANCE & LEICS 11 3/8 97 £	100	104¼	104⅝		10.22
BRITISH GAS 12 3/4 95 £	300	106⅝	107		9.76
BRITISH LAND 12 1/2 16 £	150	106½	107	-⅛	12.02
DEUTSCHE BK FIN 11 94 £	225	101½	102⅛		9.86
EIB 10 97 £	636.5	102¼	102½	+⅛	9.35
FINLAND 10 1/8 97 £	100	102¼	102⅝		9.49
ITALY 10 1/2 14 £	400	105⅜	105⅝	-⅛	9.89
LAND SECS 9 1/2 07 £	200	91	91⅝	-⅛	10.73
NORWAY 10 1/2 94 £	200	101⅞	101⅝		9.59
ONTARIO 11 1/8 01 £	100	107⅜	107⅞		9.80
SEVERN TRENT 11 1/2 99 £	150	106¼	106½		10.23
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅝	106⅞		10.26
TOKYO ELEC POWER 11 01 £	150	107⅞	108¼		9.65
WORLD BANK 11 1/4 95 £	100	104	104½		9.61
BNP 12 96 NZ$	50	111	112		8.52
WORLD BANK 14 94 NZ$	75	109¼	110¼		7.72
CEPME 10 95 FFr	2000	102⅛	102½		9.16
ELF-AQUITAINE 9 99 FFr	600	100¼	100¾		8.94
EURATOM 7 5/8 98 FFr	500	92⅞	93¼		9.24

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.66	99.78	10.6425
BANCO ROMA 0.03 01	200	92.93	94.21	4.4050
BELGIUM 1/16 97 DM	500	99.94	100.05	9.6875
BFCE -0.02 96	350	99.96	100.06	3.9175
BNP 05	300	98.36	98.83	5.2500
BRITANNIA 1/10 96 £	150	99.18	99.35	10.6625
CCCE 06 ECU	200	99.88	100.01	10.0156
CITIZENS FED 0.15 96	100	99.51	99.87	5.0000
CREDIT FONCIER -1/16 98	200	100.27	100.37	5.0000
DENMARK -1/8 96	1000	99.66	99.76	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	100.03	100.13	9.5938
ELEC DE FRANCE 1/8 99	400	101.31	101.97	5.2500
FERRO DEL STAT 94	200	100.58	100.95	4.4375
HALIFAX 1/10 94 £	200	99.92	100.01	10.2250
IRELAND 98	300	99.63	99.73	4.4600
ITALY 00	500	100.54	100.84	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.52	99.71	10.9375
LLOYDS BANK 1/10 PERP S.3	600	77.47	79.30	4.5375
MITSUI FIN ASIA 1/8 96	100	99.95	100.05	5.2500
NAT WEST FIN 3/16 05	400	92.63	93.75	4.3750
NEW ZEALAND 1/8 96	250	100.20	100.31	4.1880
RENFE 98	500	99.96	100.08	3.8750
SOCIETE GENERALE 96	300	99.67	99.79	4.5625
STATE BK VICTORIA 0.05 99	125	98.81	99.04	4.3625
UNITED KINGDOM -1/8 96	4000	100.00	100.03	4.0625
YORKSHIRE BS 1/10 94 £	165	99.72	99.81	10.1938

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	132½	134⅝	
CHUBB CAPITAL 6 98	250	86	102⅝	103⅝	+29.95
EASTMAN KODAK 6 3/8 01	300	50.67	101⅛	102⅛	+26.91
GOLD KALGOORLIE 7 1/2 00	65	1.0554	85¼	86⅛	+53.25
HANSON 9 1/2 06 £	500	2.5875	104¾	105½	+22.64
HAWLEY 6 02 PREF	400	19.1	102⅝	105½	
HILLSDOWN 4 1/2 02 £	150	3.97	119⅞	120⅞	
LAND SECS 6 3/4 02 £	84	6.72	82¼	83¼	+40.07
LASMO 7 3/4 05 £	90	5.64	76½	77½	
MITSUI BANK 2 5/8 03	200	2332.6	60½	62⅝	+29.18
MOUNT ISA FIN 6 1/2 97	100	2.283	100⅛	101⅛	+4.61
OGDEN 6 02	85	39.077	82¼	83⅛	+62.74
SEGA ENTERPRISES 3 1/2 96	200	13018	103⅞	104⅝	+36.67
SMITH & NEPHEW 4 02 £	90	1.775	124⅛	125⅛	+48.51
SUMITOMO BANK 3 1/8 04	300	3606.9	59⅞	60⅞	+45.40
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	91⅝	92⅝	+97.23
THORN EMI 5 3/4 04 £	103	7.16	124¼	125¼	+4.31

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by International Securities Market Association.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	47	3	31
Other Fixed Interest	3	5	9
Commercial, Industrial	195	423	825
Financial & Property	76	210	510
Oil & Gas	14	19	52
Plantations	0	1	8
Mines	30	32	83
Others	31	55	45
Totals	396	748	1,563

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am't Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	288	278	Brazilian Inv Tst Units	279	+1	–	–	–	–
–	F.P.	–	4	2	Brent Walker Wts to Sub	3		–	–	–	–
–	F.P.	–	106	103	Grosvenor Inns	103		H4.0	–	5.2	–
75	F.P.	–	90	83	♦Hughes (T.J.)	83	-1	W2.25	2.2	3.6	17.1
110	F.P.	–	149	143	Industrial Control Servs	145	-1	R3.6	2.0	3.3	16.4
£10¾	F.P.	–	£12½	£10½	Latin Am Inc & Appr. Lc	£10½		–	–	–	–
–	F.P.	–	41	34½	M & G Recovery Inc.	40½		F3.75	–	12.3	–
–	F.P.	–	25½	12¾	Do. Capital	25		–	–	–	–
–	F.P.	–	65	46½	Do. Geared Units	64½		F3.75	–	7.8	–
–	F.P.	–	122	96	Do. Package Units	122		F3.75	–	4.1	–
–	F.P.	–	11	¾	Multitrust Warrants	11		–	–	–	–
–	F.P.	–	26½	22½	Welpac (RFD)	26		–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
-	F.P.	-	15p	8p	Brent Walker Var Rte 2nd Prf '00/07	12p	
-	F.P.	-	12p	5p	Do. 8½pc 3rd Non-Cum Cnv Prf 2007/10	6p	
-	F.P.	-	100½p	100¼p	Caspen Oil 11% Cnv ULS 94/97	100½p	
100p	F.P.	-	105¼p	102½p	Commercial Union 8¾pc Cm Irrd Pf	104½p	+¼
-	F.P.	-	59¼p	48½p	M & G Recovery Zero Div Prf 1p	58½p	-½

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
285	Nil	9/7	64pm	52pm	BICC	57pm	+1
200	Nil	22/7	41pm	25pm	Blue Circle	29½pm	-4½
230	Nil	–	40pm	30pm	EMAP	31pm	
14	Nil	16/7	4pm	1¼pm	Eadie	3pm	
5	Nil	15/7	¾pm	¼pm	Europa Minerals 2p	½pm	
57	Nil	19/6	¾pm	¾pm	Fulcrum Inv. Trust Inc.	¾pm	
95	Nil	12/6	20pm	5pm	Ingham	5pm	
75	Nil	–	15pm	11pm	Marshalls	11pm	
190	Nil	22/7	43pm	40pm	Pittencrieff 10p	40pm	
280	Nil	24/6	228pm	130pm	♦Proteus Intl	155pm	+5
15	Nil	–	9pm	7pm	TLS Range	7pm	
400	Nil	10/7	110pm	80pm	Transfer Technology	80pm	-5

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- ● First Dealings June 8
- ● Last Dealings June 19
- ● Last Declarations Sept. 3
- ● For settlement Sept. 14

3-month call rate indications are also shown on this page.

Calls in **Amstrad, Ashley, Enterprise Computer, Gestetner, Lucas warrants, Proteus Intl., Psion, Racal Elects., Ransomes, SEET and Tarmac.** Put in **Regalian Props.** Puts and calls in **Berisford Intl., Real Time Control and Saatchi & Saatchi.**

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*652)	600	63	85	97	3½	11	17
	650	25	51	64	18	29	34
	700	8	28	41	54	57	64
ASDA (*33)	30	4½	7	8½	1½	3	5
	35	2	4½	6	5	6½	8½
	40	1½	3½	5	8	11	11½
Brit. Airways (*268)	240	33	43	48	2½	6½	10
	260	17	29	35	7	13	17
	280	7½	19	26	18	23	27
SmKl Beecham A (*875)	850	52	82	105	14	29	38
	900	26	52	78	37	53	61
	950	10	34	56	78	82	90
Boots (*451)	420	35	48	54	5	11	14
	460	8	23	32	24	27	32
B.P. (*273)	260	19	25½	28½	4	9	13
	280	7	15	18	12	19	22
British Steel (*76)	70	8	11	12	2½	3½	5½
	80	2½	5½	7	7	8½	11
Bass (*593)	550	55	74	82	3½	9	15
	600	18	39	48	17	27	36
C & Wire (*543)	500	52	65	75	6	12	16
	550	15	33	45	28	34	37
Courtaulds (*547)	500	58	75	85	3	8½	13
	550	19	43	55	17	25	30
Com. Union (*497)	460	43	52	63	3½	11	14
	500	15	26	38	16	28	32
Fisons (*350)	330	31	46	52	7	14	19
	360	14	29	36	20	30	33
GKN (*409)	390	29	37	48	5½	15	19
	420	11	21	32	19	32	34
Grand Met. (*482)	475	23	37	–	11	22	–
	500	11	25	35	26	35	38
I.C.I. (*1304)	1300	45	79	113	30	50	58
	1350	20	50	87	54	77	85
Kingfisher (*520)	500	34	49	64	7	16	21
	550	10½	24	37	33	40	45
Ladbroke (*225)	220	13	21	26	6½	13	16
	240	4½	12	16	18	23	27
Land Secur (*403)	390	24	38	44	5	10	14
	420	7	19	26	22	25	27
M & S (*325)	300	31	43	49	3	6	7½
	330	9	20	30	12	17	18
Sainsbury (*466)	460	21	37	50	10	16	21
	500	5	18	28	37	41	42
Shell Trans. (*514)	500	27	36	47	5½	15	18
	550	4	13	22	38	45	46
Storehouse (*144)	140	9	16	20	5	9	11
	160	2½	8	11	20	22	23
Trafalgar (*126)	120	14	21	24	5½	9½	14
	130	8	16	19	10	15	19
Utd. Biscuits (*393)	390	16	27	36	8½	15	19
	420	4½	14	22	30	33	35
Unilever (*928)	900	50	77	92	10	20	26
	950	19	45	63	30	42	46

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*331)	300	43	49	59	4½	13	16
	330	23	30	38	16	26	31
	360	11	18	29	35	46	49
BAA (*695)	650	56	76	88	9	14	21
	700	24	46	58	29	38	42
	750	8½	25	36	69	70	72
BAT Inds (*775)	700	92	105	122	5½	13	17
	750	48	70	88	21	28	34
	800	21	42	60	48	55	60
BTR (*462)	420	53	58	67	2	8	11
	460	23	31	41	13	22	25
	500	7	14	24	40	46	49
Brit. Telecom (*350)	330	27	31	36	6½	10	14
	360	9	16	21	22	26	30
Cadbury Sch (*481)	460	37	49	60	9	15	19
	500	14	27	38	29	34	38
Eastern Elec (*273)	260	19	24	27	11	15	18
	280	7	14	18	23	26	30
Guinness (*588)	550	57	70	84	7	13	17
	600	24	38	53	26	33	37
GEC (*223)	220	9	15	18	11	13	14
	240	3	7	11	26	26	26
Hanson (*223)	220	12	17½	21	5½	9½	13
	240	4½	8	12	19	21	24
LASMO (*197)	180	31	40	45	8	13	17
	200	19	26	34	17	23	27
Lucas Inds (*131)	130	10	15	17	7	13	15
	140	5	10	12	13	19	20
P. & O. (*490)	460	50	57	70	8	20	24
	500	24	34	48	25	39	43
Pilkington (*131)	130	12	17	20	8	12	14
	140	7	13	15	15	18	20
Prudential (*258)	240	26	31	38	4½	8½	11
	260	12	19	26	12	17	19
R.T.Z. (*619)	600	42	60	77	14	24	29
	650	17	34	50	42	49	54
Scot. & New (*474)	460	28	40	49	15	21	25
	500	8	22	30	40	45	48
Tesco (*268)	260	18	26	31	6½	9	11
	280	8	14	21	16	19	21
Thames Water (*435)	420	21	32	37	15	20	23
	460	5	15	20	44	47	47
Vodafone (*366)	360	22	35	44	13	19	22
	390	9½	21	30	31	36	38

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*285)	260	29	34	41	1½	4½	7
	280	11	19	28	4	11	14
	300	3	10	18	17	20	24
Amstrad (*38)	30	10	12	13	1	2	3½
	35	5½	9	11	1½	4	6
	40	2½	6	8½	4	6½	8½
Barclays (*384)	330	28	35	41	2	10	13
	360	5½	17	25	11	24	28
	390	2	6½	14	39	45	49
Blue Circle (*229)	213	19	27	32	2	6½	11
	232	5½	15	21	7½	14	19
	252	2	7	14	25	28	32
British Gas (*252)	240	14	23	26	1½	4½	9½
	260	2½	11½	15	9½	13½	20
Dixons (*261)	260	8	18	28	7	18	21
	280	3	10	19	22	31	34
Eurotunnel (*355)	330	33	53	67	5	19	30
	360	14	35	50	20	35	42
Glaxo (*737)	725	28	–	–	13	–	–
	750	13	48	72	26	52	66
Hillsdown (*173)	160	15	22	27	1½	5	9
	180	3½	16	17	11	15	19
Lonrho (*85)	80	8	14	17	2	6	8
	90	2½	8	12	6	11½	14
Midland Bk (*427)	420	15	32	42	7	16	22
	460	2	13	20	36	39	45
National Power (*238)	235	8	15	–	3½	10½	–
	255	1½	–	–	17	–	–
Reuters (*1137)	1100	55	100	134	10	38	54
	1200	8	47	87	67	90	105
R. Royce (*165)	160	7½	15	19	2½	8	11
	180	2	6	11	16	19	22
Scottish Power (*181)	180	6	12	13½	3	10	13
	190	2	6½	9	9½	17	19
Sears (*87)	80	9	13	15	1½	4	5
	90	2½	7	9	5½	8	10½
Forte (*226)	220	11	20	25	3½	8½	12
	240	2	10	16	16	19	23
Thorn EMI (*850)	850	18	33	50	12	36	43
	900	3	13	29	51	74	75
TSB (*142)	140	6½	10½	16	3	7½	10
	160	1½	4	7	18	21	22
Vaal Reefs (*$51)	50	4½	6	7½	13	4½	4½
	60	1	2	4	10	11	12
Wellcome (*955)	950	28	77	105	21	48	64
	1000	8	49	77	50	75	93

EURO FT-SE INDEX (*2637)

	2475	2525	2575	2625	2675	2725	2775	2825
CALLS								
Jun	178	128	80	35	9	1½	1	1
Jul	192	144	100	62	32	12½	5½	2
Aug	–	163	–	90	–	40	–	12
Sep	–	185	–	111	–	54	–	22
Dec	–	240	–	173	–	110	–	65
Mar	–	288	–	220	–	163	–	115
PUTS								
Jun	1	1½	3	10	35	75	127	177
Jul	3½	6	13	25	45	78	120	163
Aug	–	18	–	40	–	90	–	163
Sep	–	22	–	48	–	90	–	160
Dec	–	34	–	63	–	103	–	150
Mar	–	56	–	80	–	120	–	165

FT-SE INDEX (*2637)

	2450	2500	2550	2600	2650	2700	2750	2800
CALLS								
Jun	201	151	101	52	16	3	½	½
Jul	217	170	122	79	45	22	8	3½
Aug	230	185	145	106	73	48	28	14
Sep	248	205	165	129	96	68	46	29
Dec †	–	264	–	188	–	125	–	77
PUTS								
Jun	1	1	1	4	19	64	114	164
Jul	2½	4½	9	17	36	69	115	165
Aug	8	11	19	30	50	77	116	165
Sep	12	19	30	42	61	90	124	167
Dec †	–	35	–	63	–	105	–	170

June 10 Total Contracts 27,914
Calls 16,889 Puts 11,025
FT-SE Index Calls 3,899 Puts 3,977
Euro FT-SE Calls 630 Puts 1,105
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry mths
Premiums shown are based on middle prices.

TRADITIONAL OPTION 3-month call rates

■ **INDUSTRIALS**	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ **OILS**	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ **MINES**	
Bowater	60	Glaxo	52	Racal Elect	5½	■ **PROPERTY**		RTZ	47
Brit Aerospace	26	Grand Met	36	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
Brit Telecom	25	Hanson	18	Ratners	3	MEPC	26		
Cadburys	36	ICI	95	Reed Intl	44	Mountleigh	1½		

Refocused Amersham at £21m

By Jane Fuller

AMERSHAM International, the health science group which has refocused its activities on radioactive products, increased pre-tax profit by 34 per cent to £20.7m in the year to March 31.

The previous year's pre-tax figure was reduced from £16.5m to £15.5m to provide for the burying of radioactive waste, which has been stored since dumping at sea was banned in 1983. The provision also knocked £9.6m off net assets.

Turnover improved to £273.5m (£242.4m) and operating profit to £23.5m (£19.7m). Interest costs were cut to £2.8m (£4.2m) as net debt came down from £41.1m to £700,000 following the final £47m of Eastman Kodak's payment for the clinical reagents division.

Mr Kirk Stevenson, finance director, said the operating profit from clinical reagents fell from £9.4m to £6.4m as income switched towards a royalties stream rather than a divisional contribution.

Ongoing businesses increased profit by 42 per cent to £23.9m (£16.8m), after a £3.3m rise in R and D spending to £13.7m. The figures benefited from £1.9m of exchange rate gains.

Life sciences, which serves academic institutions and the research departments of pharmaceuticals companies, made by far the biggest profit contribution of £20.9m, up 26 per cent, on sales of £92.7m (£80.7m). This partly reflected recovery from a poor fourth quarter of the previous year.

Mr Bill Castell, chief executive, said there had been substantial growth in North America and a focus on margins. It was pushing further into the pharmaceuticals sector.

Healthcare remained the laggard with a profit contribution of only £100,000 (loss of £1.8m) on £83.8m turnover, up 33 per cent. This included a full year of Medi-Physics, a US radiopharmaceuticals company which had had been brought back into profit in the second half. Price competition continued to depress the generic market.

Ceretec, a brain imaging product, increased sales from £10m to £14m. New products would include Metastron, for prostatic cancer, and Myoview to trace blood flow through the heart.

The industrial quality and safety assurance division improved its profit contribution by 24 per cent to £4.6m on £36.2m sales.

Earnings per share went up 44 per cent to 23.7p (16.5p). A final dividend of 8.8p makes a total of 12.5p (11.8p).

Bill Castell: substantial growth in North America

● COMMENT

The newish management at Amersham has gained considerable credit for refocusing the business and restoring strong earnings growth – hence the 15p share price rise to 479p. Life science should continue to drive profits forward, although the most room for improvement clearly lies in healthcare. Lower interest costs should help offset a further fall in the contribution from clinical reagents. A pre-tax forecast of £24m gives a prospective p/e of more than 17. The share price has virtually doubled since November 1990 as the group has shed some problems and re-established its growth credentials. There seems little scope for short-term improvement, although it is still at a small discount to the health and household sector.

G Wood provides new platform for Bristol

By Jane Fuller

MR PAUL Bristol, who sold out of Brompton Holdings a year ago, is re-entering the UK stock market through the refinancing of Graham Wood, a structural engineer.

He said that, after making the group safe, he would use it to make acquisitions. This might take him back into the oil services sector. He used to be involved in Oilfield Inspection Services and Bristol Oil and Minerals.

More recently he built up Brompton, a USM-quoted safety inspection and testing group, which was taken over by Adia of Switzerland, last June in an £11.7m deal. Mr Bristol had a 16 per cent stake.

Graham Wood announced yesterday that Mr Bristol was proposing a significant cash injection and had become executive chairman.

The shares were suspended at 16p after receivers were appointed to Blight & White, a structural steel subsidiary. Although it had completed work on such prestige projects as Euro-Disney and the centre court at Wimbledon, its latest big contract was for Olympia & York at Canary Wharf.

Mr Bristol said it seemed unlikely to get payments of up to £400,000 and that was the last straw. Its debts amounted to about £2.5m.

The remainder of the group, including its main Graham Wood Structural subsidiary, was unaffected by the receivership as there were no cross-guarantees.

However, borrowings of £5m remained and discussions about the refinancing were taking place with the Royal Bank of Scotland.

Australian underwriting losses cut CE Heath profits by £6.5m

By Richard Lapper

CE HEATH, the insurance group, reported pre-tax profits sharply lower at £19.1m compared with £25.6m, for the year ended March 31 1992, hit by underwriting losses run by an Australian subsidiary.

However, before exceptional items the profit rose to £31.5m (£28.8m), largely as a result of strong growth in insurance broking with turnover rising to £101.6m (£77.5m) – topping the £100m mark for the first time in the group's history.

A final dividend of 18.375p is declared, giving an unchanged total of 25.875p.

The losses, which emerged in the form of an exceptional item of £12.4m, resulted from a discontinued line of aviation reinsurance business formerly underwritten by the group's Australian underwriting operation, CE Heath International Holdings, whose flotation was announced in March.

Insurance broking profits were up to £18.6m (£16.1m), underwriting profits down to £12.8m (£14.8m) and computer services higher at £5m (£3.8m). Investment income was lower at £13.5m (£14.3m).

Income at the group's computer services division is up to £39.2m (£34.1m).

On an underlying basis brokerage income increased by 13 per cent while expenses were up 9 per cent.

Brokerage expenses were up to £97.7m (£76.8m).

Heath has now virtually completed its withdrawal from the higher risk and more volatile world of insurance underwriting. Completing a process of corporate restructuring started in 1986.

After the flotation of CE Heath International Holdings in Australia, Heath reduced its own shareholding from 90 per cent to 46 per cent.

A separate underwriting subsidiary, the Bermuda-based Pinnacle was disposed of last year.

● COMMENT

Yesterday's exceptional item shows that Heath has not completely left behind its difficulties of the mid-1980s, which is one of the reasons why the market reacted unenthusiastically to the results, marking the share down 5p to 397p.

Another is that dividend cover, even on the assumption that profits over the next 12 months climb to £28m, will remain tight for the foreseeable future. Profits of that level would produce earnings per share of about 23p, leaving the group on a prospective p/e of over 17.

At first glance it might seem demanding, but the results also show the group is now a long way from the crisis-ridden days, when its senior broking staff were rushing for the exits. Heath is now much more focused on its core broking activities, with a balanced spread of business, stretching from more stable but low-margin UK retail, to more exciting and bigger margin wholesale business, such as the group's Latin American operations which showed impressive growth last year.

HSBC eligible for FT-SE 100

THE FT-SE 100 Index steering committee yesterday considered the eligibility and timing of HSBC Holdings becoming a constituent of the FT-SE 100 and agreed that all shares of HSBC Holdings would be eligible for inclusion in the Index from the date on which the final offer for Midland Bank became unconditional in all respects.

In arriving at its decision, the committee took into account that:

1) HSBC Holdings is UK incorporated.

2) HSBC Holdings has made a public commitment that the enlarged company will become UK tax-resident from January 1 1993.

3) It would cause unnecessary confusion and disruption to exclude shares in HSBC Holdings following the final offer becoming conditional in all respects, given that Midland Bank was presently a constituent of the Index and would need to be removed but not replaced by the enlarged HSBC Holdings until January 1993.

The Committee reserves the right to remove HSBC Holdings from the Index should the company not become UK tax-resident, as planned.

● The Joint Index Committee of the Institute and Faculty of Actuaries has agreed that HSBC Holdings will join the FT-Actuaries All-Share Index from the date the final offer for Midland Bank becomes unconditional in all respects.

The committee reserves the right to remove HSBC Holdings from the Index should the company not become UK tax-resident as planned.

Electrocomponents declines to £49.9m

By Peter Pearse

SHARES IN Electrocomponents rose 17p to 284p after the distributor of electronic, mechanical and electrical components reported a drop in pretax profits from £55.2m to £49.9m in the year to March 31.

Mr Robert Lawson, chief executive since April 1991, ascribed the share price rise to three factors: increased operating profits from the core RS Components business; "demonstrable" cash management across the group, which has cut gearing from 28 per cent to nil; and a higher-than-expected final dividend of 5.1p (4.8p) for a total of 7p (6.6p).

RS, which in November added mechanical products and tools to its electronic and electrical products catalogue business, achieved a £400,000 rise in operating profits to £56.9m on sales 9.6 per cent ahead at £275.2m. Mr Lawson said this was in spite of the recessionary conditions in a "difficult year", the payment of rates for 10 months as a result of the termination of the Corby Enterprise Zone, and the £3m budgeted start-up losses from the fledgling RS Germany.

RS's "encouraging performance" was offset by an operating decline from £1.3m to £600,000 at Pact International, which distributes components to the retail market.

Misco Group, the computer supplies catalogue business, also had "an extremely difficult year", said Sir Keith Bright, chairman. It tumbled to operating losses of £3m (profits £2m) on sales down at £71.7m (£74.2m).

Group turnover fell 5 per cent to £395.1m and there were exceptional costs of £3.6m (£600,000). Below the line there were extraordinary charges of £31m (£27.6m) – £24.4m of this relates to the restructure of Misco and the balance to the sale of Mesa Distribution of the US.

Earnings were 15.3p (17.4p) per share.

● COMMENT

Having realised the recovery would not be short and sharp, the slow, steady progress at RS is increasingly valued. And the new management's clear strategy to refocus the group, cut out peripherals, and expand beneath the umbrella of RS's solid distribution network is welcomed. A one-concept, rather than a one-business, company is not a worry as catalogue-selling has proven to be sturdy enough through the recession. Adding part two (mechanical products and tools) to the catalogue has been well received and goes to show that the same concept could be applicable across different technologies. Finally the success of RS's overseas expansion bodes well for the future, though it may be next year before the benefits are apparent. Full-year pre-tax estimates were upgraded from £54m-£57m to £56m-£60m, giving a prospective multiple of about 17, which seems reasonable.

Saatchi confirms seamless transition at the top

Gary Mead on the appointee who will take control of the group's gradual recovery

SAATCHI & Saatchi yesterday confirmed at its annual meeting in London that Mr Charles Scott, currently chief operating officer, will assume the role of chief executive from June 1993, replacing Mr Robert Louis-Dreyfus, who will resign from all functions.

At one level the move comes as something of a surprise, though it has been a poorly-kept secret for some time that Mr Louis-Dreyfus wished to move on.

He was brought in in January 1990 to draw up and implement a rescue operation, a recapitalisation scheme which, 16 months later, was successfully in place. Although the group is no longer on the deathbed, it is still in convalescence.

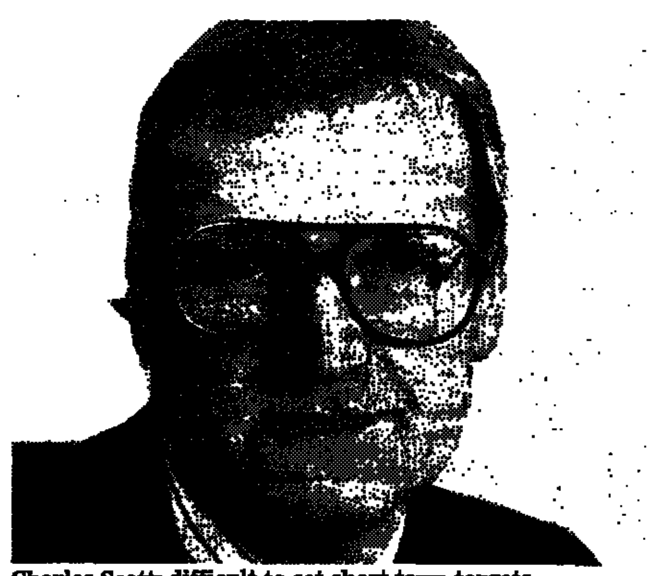
In March the group reported pre-tax losses of £58.4m, on a annualised basis, to the end of December 1991, against pre-tax profits of £35.6m for the year to September 1990.

It is still facing earn-out payment burdens of £21m this year, rising to £28m in 1993, but falling to £13m and £10m in the following two years. Net debt in the final quarter of 1991 averaged £200m.

But on another level, the appointment of Mr Scott will be as close as possible to a seamless transition.

Mr Louis-Dreyfus brought Mr Scott into Saatchi to assist with the refinancing negotiations. Thus the move recognises Mr Scott's key role in bringing financial control back to an organisation which was rapidly sliding into shambles. The two will be working in tandem for the coming year, as they have since January 1990.

Mr Scott says that it is difficult to outline financial targets over the short term due to the depressed state of world economies. "The reality is that to sit here now and say how much revenues are going to increase in 1993 is not a sound basis for planning."



Charles Scott: difficult to set short-term targets

Improving group performance will not be easy this year, when advertising revenue projections of 2 per cent real growth are already being revised downwards. How will Mr Louis-Dreyfus and Mr Scott improve operating margins from the "clearly unacceptable" 2.8 per cent 1991 level to their target of reaching 10 per cent in the next three years?

Mr Scott sees the key in dealing with loss-making areas: "Whatever happens to revenues, we will raise margins to 10 per cent by the elimination of loss-making concerns, either by turning them into profit or closing them down. I don't think we would necessarily sell companies in order to raise margins; though we would sell them if we don't see them as being a core business for the company."

Thus while the group's two international advertising networks, (Saatchi & Saatchi Worldwide and BSB), the direct mail company (Kobs and Draft), its public relations company (Rowland), and its media-buying arm (Zenith) are seen by both men as central, a sprinkling of smaller US and UK companies are going to come under close scrutiny.

"We don't anticipate that there will be any loss-making operations by 1993," says Mr Scott. One plan likely to come to fruition before the end of 1993 is to expand Zenith's media-buying operation through a European link.

Mr Scott can hardly be further removed from the common image of an advertising person; he epitomises caution and exudes thoughtfulness. Thus he was keen to emphasise the gradualist approach he has to steering Saatchi back onto the straight and narrow.

For 1992, he is content to hope for small but real improvements: "It will be a year not dissimilar to last year, with things showing constant improvements. We have been working all the time on rationalising the company and that will continue. My particular role is to improve the earnings as much as possible."

PUBLIC WORKS LOAN BOARD RATES

Effective June 10

Years	Quota loans* EIP†	Ann††	At maturity§
1			10
Over 1 up to 2	10	10	10
Over 2 up to 3	10	10	9⅞
Over 3 up to 4	9⅞	9⅞	9¾
Over 4 up to 5	9⅞	9⅞	9¾
Over 5 up to 6	9⅞	9¾	9⅞
Over 6 up to 7	9¾	9¾	9⅞
Over 7 up to 8	9¾	9¾	10
Over 8 up to 9	9¾	9⅞	10⅛
Over 9 up to 10	9⅞	9⅞	10⅛
Over 10 up to 15	10	10⅛	10¼
Over 15 up to 25	10¼	10¼	10⅛
Over 25	10⅛	10⅛	10⅛

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NEWS: UK

Estate agency loss leaves Hambros lower

By Roland Rudd

HAMBROS, the merchant bank and financial services group, yesterday reported a fall of 8 per cent, from £80.4m to £74.4m, in pre tax profits for the year to March 31, mainly due to losses in the group's estate agency business.

Mr Charles Hambro, chairman, said: "Economic conditions both at home and abroad continue to remain somewhat uncertain."

Retail financial services, which consist mainly of Hambro Countrywide, the estate agency operation, incurred losses of £6.3m compared with £800,000. The losses were largely due to the £4m cost of setting up non-mortgage products.

Although Hambro Countrywide increased its sales of houses by 8 per cent to over 40,000 in a declining national market, the merchant banking and financial services group said the year had started very slowly.

Since the general election there has been increased activity in the housing market but Mr Hambro warned that "more time and solid evidence" was still needed before one could speak of a firm recovery.

A strong performance from the banking division, which increased profits from £69.2m to £73.4m, was mainly due to *Eurobond and Treasury* operations. Income from corporate finance also increased on the back of some big rights issues in the UK and European cross-border transactions.

Provisions for bad debts were higher at £13m (£8m). However, Mr Chips Keswick, deputy chairman, said the largest single debt was £3m and there were no loans to the property market.

Hambros is also involved in *eastern European privatisation*, such as the paper and pulp mills in Czechoslovakia and Poland and is working as contractors for the government know-how fund in the Ukraine.

Profits from direct investments fell from £28m to £24.1m. Berkeley Hambro increased its retail income by 18 per cent but had to provide against a fall in asset values.

On the UK investment side the group said it was working on five unlisted investments with a book value of £4m.

Fully diluted earnings per share were 25.4p (27p). The final dividend is increased to 9.6p (8.8p) making a total of 13.8p.

M&A to dispose of 2,000 poster sites

By Peggy Hollinger

HAVAS, the French parent of Mills & Allen, the UK outdoor poster company, yesterday agreed to abide by the Monopolies and Mergers Commission's ruling that its British subsidiary must dispose of 2,000 sites acquired last year.

Due to the complex history of these particular roadside sites, the parent company was required to give its own undertaking – in addition to that of its UK subsidiary – to sell panels acquired through the purchase of Brunton Curtis in April 1991.

An MMC inquiry into MAI, Mills & Allen's previous owner, in 1987 had ordered the disposal of these same sites which were subsequently sold to Brunton Curtis. The purchase of Brunton by M&A revived the commission's original objections, even though it was under new ownership.

The sites to be sold include all 48-sheet (10 ft by 20 ft) or larger panels owned by *Brunton Curtis* when it was acquired by M&A.

Interest charges reduced to £17.7m as borrowings are cut by more than £100m

Across the board improvement at Racal

By Richard Gourlay

THE MOST impressive element of Racal Electronics' £55.6m pre-tax profits reported yesterday is the exceptional strength of its cash generation.

As a result, debt has fallen to £121m from the £225m it stood at after the demerger of Vodafone Group last September. While £40m came from tighter working capital control, even more was generated from operations which last year made combined losses of £21m at the pre-tax level.

There is nothing like being on the receiving end of a hostile bid – that fails – to sharpen up a company's operations. What it means is that both Chubb, the security division which is to be floated this October, and the remaining Racal businesses will carry a considerably more manageable debt load, with all that means for interest payments and the ability to grow by acquisition.

The turnaround appears to have been across the board. Most impressive, for a business thought to have been in a cash cow phase of its business cycle, is the 20 per cent increase in *operating profits to £53.8m at* Chubb on sales up only 3 per cent at £669m.

Also improving was the radio communications division, where profits almost doubled to £22.5m, mostly on the back of successes in the US and Canada.

The marine and energy division, part of which was believed to be up for sale, increased profits from £14.98m to £16.29m, as a result of improvements in the energy area. Sir Ernest Harrison, Racal chairman, said yesterday that the Marine division will not be sold.

Network services, which includes the service which carries data between government departments, bounced from losses of £14.36m to losses of only £306,000 as the investment programme and start-up costs came to an end.

Defence radar and avionics improved from losses of £335,000 to a £6.38m profit and could be the exciting new division of the late 1990s if Racal is as successful as it hopes to be in developing the telephones-in-aeroplanes market that Racal says has a potential for sales of $1bn within 10 years.

The Achilles' heel remained the data communications division which, after Chubb, is the largest business area with sales of £323.7m producing profits of £1.82m. This improvement from losses of £11.8m partly reflected restructuring but the market is, and will remain after the recession ends, particularly competitive in the US.

Sir Ernest recognises that unless profitability is improved here, benefits emerging from improvements in the other divisions could be dwarfed.

"The key is to get profitability into data communications," Sir Ernest said.

As a result of the reduced level of debt, the interest charge during the year fell from £37.47m to £17.7m and gearing fell from 35.4 per cent to 19.1 per cent.

Earnings per share rose to 2.3p from losses of 2.01p and the company is proposing a final dividend of 0.7p, giving a total of 1p.

Ashley Ashwood

David Elsbury, Racal's chief operating officer (left), Sir Ernest Harrison, Racal's chairman and chief executive (centre), with David Peacock, chief executive of Chubb

NEWS DIGEST

Airsprung buoyed by interest fall

SHARPLY REDUCED interest charges, stable raw material prices and improved productivity combined to lift annual profits at Airsprung Furniture Group by 39 per cent.

The Wiltshire-based company lifted profits for the year to end-March from £3.5m to a *record £4.87m pre-tax* on turnover marginally ahead to £58.1m (£56m).

Interest charges, partly reflecting the proceeds of last July's rights issue, dived from £907,000 to £130,000.

Earnings per share, after release of deferred tax previously provided, amounted to 33.1p (21.6p).

A final dividend of 4.87p lifts the total for the year to 7.5p (6.33p).

AH Ball achieves growth of 16%

In demanding market conditions AH Ball Group managed a 16 per cent rise in pre-tax profits, from £825,000 to £960,000, in the 12 months to March 31.

Sales were little changed at £5.75m.

The USM-quoted civil engineer *said that* the malaise in the construction industry continued to affect the water and gas market sectors.

However, profit margins in the second half benefited from adjusted depreciation rates, and the commercial completion of contracts substantially finished in the first half.

A recommended final dividend of 4.8p brings the total to 7p (6.75p). Earnings per share were 10.19p (8.04p).

The shares added 10p to 160p.

Comac ends year £362,424 in black

Comac Group, the USM-quoted supplier of specialist staff for the computer industry, reported pre-tax profits of £362,424 for the year to end-December.

This compares with losses of £34,853 last time and consolidates the turnround to profits of £187,000 at the interim stage.

The result was struck on turnover down slightly from £10.4m to £9.97m. At the operating level profits grew from £62,508 to £439,641.

Income from interests in an associated undertaking fell *from £50,675 to £7,944. Net* interest payable declined from £148,036 to £85,161.

Earnings per share were 4.05p (0.75p losses).

Porter Chadburn achieves £5.59m

Porter Chadburn, the leisure products, notepaper and labels producer, announced pre-tax profits of £5.59m for the year to March 27.

That compared with £5.32m last time, restated to reclassify extraordinary reorganisation costs as exceptional.

Mr Raymond Dinkin, chairman, said that without the restatement profits would have been 20 per cent lower than last year.

He said the results, which included £1m from the sale of part of the packaging division, had been severely affected by the UK recession and certain management and control weaknesses in the consumer leisure division where operating profits fell from £4.98m to £1.9m.

Profits from packaging were £2.63m (£1.7m) and specialist distribution £1.61m (£1.93m).

Group turnover increased to £132m (£112m).

Earnings per share fell from 5.65p to 5.18p and a final dividend of 1.65p is recommended for a total of 2.5p (2.4p).

Moorgate Smaller net assets up 8.9%

Moorgate Smaller Companies Investment Trust reported a net asset value of 112.08p as at April 30 1992, a rise of 8.9 per cent since its inception in May last year.

Net revenue for the period amounted to £2.34m for earnings of 4.83p per share. A proposed final dividend of 2.325p brings the total to the anticipated 4.125p.

M&G Second Dual net asset value up

M&G Second Dual Income Trust lifted net asset value from 446.1p to 474.02p per capital share over the year to May 31.

Net revenue was virtually unchanged at £2.39m, equal to earnings of 23.86p (23.79p) per income share.

A final dividend of 10.67p makes a total of 23.86p (23.78p) for the year.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airsprung ....fin	4.87†	July 31	3.7	7.5	6.33
Amersham Intl ....fin	8.8	Aug 3	8.1	12.5	11.8
Ball (AH) § ....fin	4.8	July 24	4.55	7	6.75
Cape ....fin	7.5	Aug 7	7.5	10.5	10.5
Daily Mail ....int	32	July 17	29	-	119
Danka Business ....fin	2.5	Aug 14	2	3.75	3
Elect'components..........fin	5.1	Sept 4	4.8	7	6.6
Hambros ....fin	9.6	Aug 21	8.8	13.8	12.8
Heath (CE) ....fin	18.375†	July 31	18.375	25.875	25.875
Johnson Firth ....int	1	July 27	1	-	3
London Scottish ....int	0.95	July 24	0.875	-	2.75
M&G Second Dual ..fin	10.67	July 14	10.67	23.86	23.78
Mansfield Brew ....fin	9.6	Sept 9	8.5	13.6	12.1
Moorgate Smaller ....fin	2.325	July 24	-	4.125	-
Neotronics Tech ....int	0.85	Aug 28	0.8	-	2.52
Northern Foods ....fin	9.27†	Sept 4	8.5	16.12	14.5
N'humbrian Water....fin	13.7	Oct 1	12.4	20.5†	18.6
Oriflame Int ....fin	8	Sept 23	8	12	12
Porter Chadburn ....fin	1.65	Oct 1	1.6	2.5†	2.4
Racal Elect ....fin	0.7	Aug 27	-	1	-
Regalian Props ....fin	nil	-	2.9	1.5	4.4
Tame (John) § ....fin	2.41	Aug 12	2.41	4	4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Northumbrian Water ahead 30%

By Angus Foster

NORTHUMBRIAN Water, the *smallest of the 10 water and* sewage companies by market capitalisation, yesterday announced a 30 per cent increase in profits, the biggest rise so far in this year's reporting season.

Mr David Cranston, chief executive, said increases in *profits* and turnover were mainly due to last year's 16.7 per cent average price rises, but the company also managed to improve its operating margins.

Northumbrian lifted pre-tax profits from £46.9m to £61.1m in the year to March 31. This followed a 35 per cent increase at the interim stage to £31.3m (£23.1m).

Turnover increased by 22 per cent to £204m (£167m). Core, regulated water *sales increased* by some 16 per cent to £170m (£147m).

Unlike water companies in the south of England where recession hit harder, turnover from industrial users held to forecast.

Northumbrian said its "*enterprise*", *or unregulated*, companies increased sales threefold. But operating results were "insignificant", and Northumbrian Environmental Management, a large waste management subsidiary, remained loss-making.

Trevor Humphries

David Cranston: advance mainly due to price rises

Interest receivable fell to £4.4m (£13.3m) as net cash fell to £6.1m (£74.7m). This was due to Northumbrian's mounting capital investment programme, *and capital expenditure for the* regulated business increased to £105m (£100m). Mr Cranston said he expected Northumbrian to have net borrowings by the end of this year, although gearing would remain under 20 per cent.

Earnings per share increased 31 per cent to 85.5p (65.3p). The company is recommending a final dividend of 13.7p (12.4p) to make a total of 20.5p (18.6p), a *10 per cent increase. Dividend* cover increased to 4.2 times (3.5).

The company faced five prosecutions for sewage treatment failures, compared with three in the previous six-month period. Recent figures from Ofwat, the water regulator, showing Northumbrian to have a high level of customer complaints about water quality, were due to a mains scraping and re-lining programme, Mr Cranston said.

● **COMMENT**

Profits towards the top end of expectations and a generous dividend, helped Northumbrian weather yesterday's price declines in the water sector, and the shares recovered to close down 1p at *467p. At first* sight, the company's highlighted improvement in operating margins, up nearly 7 per cent to 27 per cent, should stem past criticism of its cost levels. Then again, perhaps Northumbrian could have done better considering the size of *last year's price rises and the* fact that margins were helped by a lower, and therefore curious, depreciation charge. Profits for this year of £70m (including £7m from a one-off stock market investment fund), put the shares on a p/e of less than 5, with a yield of 4.3. *Those not yet convinced* by the company's moves into unregulated businesses, and agressive financial management, may prefer to wait until the division produces "significant" results.

Daily Mail declines 5% to £22.8m

SHARPLY LOWER input from exceptional *items* resulted in a 5 per cent fall in pre-tax profits at Daily Mail and General Trust in the six months to March 31.

Sales rose from £313.3m to £326.7m, but after a reduced exceptional credit of £3.4m (£8.7m) the pre-tax figure was *£22.8m, against* £23.9m in the previous first half.

The reduced exceptional mainly reflected lower sales of Reuters shares.

Newspapers increased their contribution to £31.3m (£28.3m). The group's three main titles, published by Asso*ciated Newspapers, are the* Daily Mail and Mail on Sunday and the Evening Standard. The performance benefited from increased revenues from circulation and display advertising combined with lower raw materials costs.

The group also includes *Northcliffe Newspapers*, Euromoney Publications and Harmsworth Media.

Trading profit of other media activities jumped to £3.9m (£700,000) on *sales of* £32.5m (£27.9m). Revenues increased from Euromoney magazines and contributions *improved* from new areas such as energy, law and tax publications.

Other activities lost £1.4m (£200,000 profit) on lower turnover of £19.5m (£22.7m).

Income from associated undertakings fell due to lower trading profits at Bristol Evening Post and Whittle Communications in the US.

The pre-tax figure also included the sale of the company's wharf in Purfleet, east London, which produced a profit of £10.4m. However, there was also a property provision of £8.1m reflecting the *state of the London office* property market.

Net borrowings fell £8m since the year end to £370m at March 31.

An extraordinary item of £5.5m accounted for the sale of Argus Shield, the security services business, to Pinkertons of the US and Adverkit, the graphics arts business.

The interim dividend is 32p (29p) on earnings of 155.2p (196.3p) per share.

Aerospace recession behind 35% contraction at JFB

By Peggy Hollinger

THE DEEP recession in the aerospace industry dealt a heavy blow to profits at Johnson & Firth Brown, *the metals* and engineering company which yesterday revealed a 35 per cent drop in interim profits from £5.08m to £3.31m pre-tax.

Mr David Hall, joint managing director, said the group had been forced to sustain "*constant pressure* on margins to . . . maintain market share".

Operating profits at the Firth Rixson subsidiary, which relies mainly on aerospace customers for its rolled rings used in engines, collapsed from £2.1m to £673,000 as a result.

On a brighter note, Mr Hall said the group was beginning to see signs of life in aerospace. Mr George Hardie, joint managing director, said that orders in the second quarter had been better than the first and that trend was continuing.

"But it is a very shallow line, and we are not expecting a massive upsurge," he added.

During the year JFB sought to cut costs by reducing its workforce, mainly in Firth Rixson, by more than 10 per cent.

The £250,000 redundancy costs had been taken out of profits in the first half.

Sales for the six months to March 31 were marginally lower at £60.3m (£60.9m), but were buoyed by the inclusion for the full half year of Monroe Forgings in the US and Cobden Chadwick.

Two further acquisitions were made during the half year at a cost of £3.5m.

Benefits to the rest of the company of the Monroe acquisition, which opened the door to aerospace engine giants such as GE and Pratt & Whitney, were not expected *to* come through for at least another 12 months, Mr Hall said.

However, JFB was now for the first time included on the tender lists for orders from companies such as GE.

Light engineering suffered a gentle decline from £2.3m to £2.2m, cushioned by a series of small acquisitions, Mr Hardie said.

Casting benefited from acquisitions to contribute £783,000 (£465,000).

Capital expenditure was running at roughly double the £3.5m annual depreciation charge. Net cash balances totalled £12.5m.

Earnings per share fell from 2.9p to 1.6p; the interim dividend is maintained at 1p.

JFB also announced the appointment of Mr Martin Llowarch the former British Steel chief executive, as deputy chairman.

"We are very pleased," said Mr Hardie. "*We consider it* quite a coup."

Morrison Construction down 10%

By James Buxton, Scottish Correspondent

MORRISON Construction, the privately-owned Scottish building company, increased turnover and operating profits in the year to March 31 but experienced a 10 per cent fall in pre-tax profits.

The pre-tax line was £5.1m (£5.7m) on sales ahead 9 per cent to £193.2m.

Operating profit was up 4 per cent at £5.6m.

In 1989 *Morrison* increased in size by two and half times when Mr Fraser Morrison, chairman, and his family acquired the outstanding 80 per cent of the company from Charter Consolidated.

The group operates in both Scotland and England, but *avoids the south-east.*

The building and property development division proved successful last year but the small housebuilding sector lost money and the civil engineering division encountered problems on a pipeline contract although it continued to operate profitably.

Morrison, which has no other foreign operations, was the only British company to win emergency repair orders in Kuwait after the Gulf war from the US Corps of Engineers, a fact which Mr *Keith Howell*, finance director, said was due to the company's *ability* to promise speedy mobilisation and to its existing contacts in Saudi Arabia.

The £12m worth of orders in Kuwait produced £1m of operating profit which Mr Morrison called an "excellent result."

Morrison now has nil gearing and *enjoys positive cash* balances.

Mr Morrrison said he expected only a gradual recovery in construction markets.

Mr Howell said that seeking a Stock Exchange *quote* was an option the company was "holding open until the time is right."

Chief quits at Northumbrian Fine Foods

Mr Richard Adams has resigned as chief executive of Northumbrian Fine Foods, the USM-quoted biscuit and snack maker. *He* has held the post for 22 years writes Angus Foster.

Mr Kevin O'Keeffe, a non-executive director, will become non-executive chairman. Mr John Gibson, group finance director, has been appointed acting chief executive while a new chief executive is sought.

Mr O'Keeffe said Mr Adams had decided Northumbrian's enlarged size called for a new style of management. "There was no bust up," he said.

Northumbrian's shares fell 2p to 43p. The company said pre-tax profits for the year to March 31, *due to* be announced in July, are expected to be about £700,000, compared to £264,000 in the previous period.

Overseas growth masks sharp decline to £13.6m at Cape

By Peggy Hollinger

STRONG GROWTH overseas partly offset a sharp decline in the UK at Cape, the fire protection, insulation, and building products group.

Nevertheless, pre-tax profits declined by 21 per cent to £13.6m for the 12 months to March 31.

Mr Michael Farebrother, chief executive, *said* sales outside the UK had risen by 49 per cent, to about 40 per cent of total group turnover. The strength of the overseas businesses helped overall turnover rise by 10 per cent to £202.9m.

Acquisitions in the Netherlands and Germany contributed £17m in sales and about £1m in profits, Mr Farebrother said. After spending £7m on new companies and a further £8m in capital expenditure, the group still had £16.5m (£21.7m) net cash which would be used for further acquisitions and investment.

Mr Farebrother said the strong cash position, and the secure position of Charter Consolidated, its 67 per cent shareholder, gave good reason to maintain the final dividend at 7.5p, for an unchanged total of 10.5p.

Of Cape's two main divisions, building and architectural products was the worst hit. Operating profits were sliced by 46 per cent to £6.88m amid the depressed conditions of the UK construction industry.

Industrial services, which supplies insulation and scaffolding to the power and petrochemical industries, increased its contribution through acquisitions from £4.66m to £6.02m.

Cape, which was on the brink of collapse in 1985 amid the turmoil surrounding its withdrawal from asbestos mining, had cut about 400 of its 4,000 jobs in the past year. As a result, administration costs were 13 per cent down year on year, Mr Farebrother said.

Earnings per share, depressed by a higher tax charge, fell from 23.9p to 17p.

Gartmore Scotland

At March 30, net asset value of Gartmore Scotland Investment Trust was 228.9p per capital share and 108.4p per zero dividend preference share. Net revenue was £1.21m for the nine months to April 30 for earnings of 9p per share. A third interim dividend of 2.8p makes 8.4p to *date.*

Acquisitive year for Northern Foods

By Maggie Urry

NORTHERN FOODS' balance sheet has borne the costs of its acquisition programme, which totalled £398m in the year to end-March, up from £69m the year before.

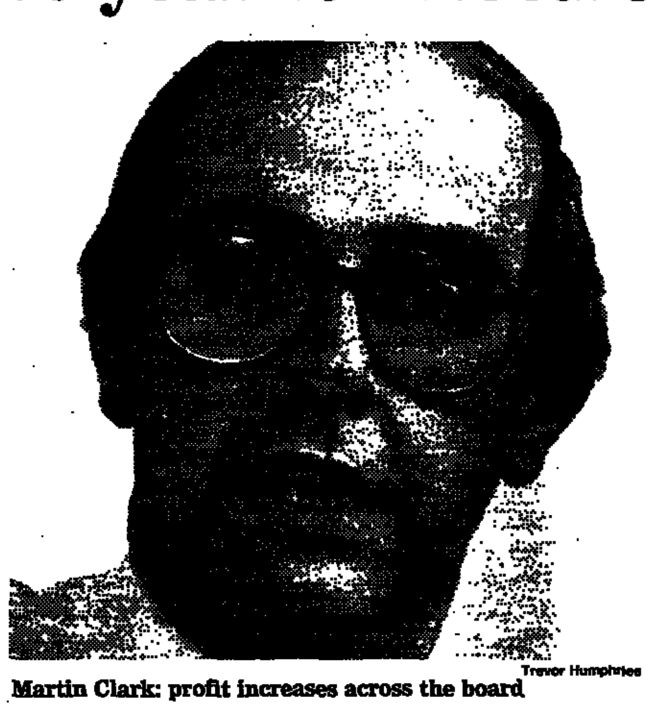
Net borrowings at the year end were £199m (£53.4m). Shareholders' funds fell from £305.4m to £277m, leaving gearing at 72 per cent (18 per cent).

There was a goodwill write-off of £282m, a £6m fair value adjustment and a £36m *provi*sion to cover rationalisation costs at Express Dairies and Eden Vale. Part of the acquisition was funded by a rights issue which raised £227m after expenses.

Mr Martin Clark, finance director, said that the group's *cash flow was strong. He* said internally generated funds covered a record level of capital spending of £93m (£61m) with £30m to spare.

In the current year, he said, capital expenditure would rise to £120m, but would fall the year after that. As a result the *depreciation charge of about* £40m in the past year would rise to about £60m in the current year.

Mr Clark said that from 1993 onwards the group would generate substantial cashflow. Meanwhile, interest cover was *comfortable*. He expected borrowings to remain at the same absolute level during the current year, but gearing would fall as shareholders' funds rose.



Trevor Humphries

Martin Clark: profit increases across the board

Profits increases were recorded by all four of Northern *Foods' divisions.*

Group trading profits rose 23 per cent to £137.5m. The dairy division raised profits by 25 per cent to £62.5m on sales 27 per cent higher at £568.6m.

The slight weakening in mar*gins was accounted for* by the inclusion of Express Dairy. Significant savings are expected from the closure of two dairies and the head office in London and a £9m spending programme at the Express dairy in Ruislip, west London.

The convenience food division raised profits 35 per cent to £29.4m on turnover of £379.8m, some 34 per cent ahead. Underlying growth was 10 per cent. This included Eden Vale, the chilled dairy products business acquired *with* Express Dairy.

Mr Chris Haskins, chairman, said he expected margins at *Eden Vale to double eventually* when its head office had been closed, private label business was introduced and more marketing effort was put into brands such as Ski yoghurt.

Meat had a flat second half, leaving profits for the year 9 per cent up at £24.1m (£22.1m).

Recession affected sales to the catering industry, while the poultry business only *broke even because of the over*supply of chickens. Grocery products, including Fox's biscuits, achieved a 21 per cent profit rise to £21.5m.

LEGAL NOTICE

No. 002754 of 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Mr Justice Millett
Monday the 11th day of May 1992
IN THE MATTER OF
BDC ELECTRICAL DISTRIBUTOR LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 11th day of May 1992 confirming the reduction of the Capital of the above-named Company from £12,156,000 to £7,834,700 and the Minute approved by the Court showing with respect to the Capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 23rd day of May 1992.
Dated this 11th day of June 1992.
SPEECHLY BIRCHAM, Bouverie House, 154 Fleet Street, London EC4A 2HX
Ref: PAK/MTD/091128/026
Solicitors for the above-named Company.

NO. 002756 OF 1992
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Mr Justice Millett
Monday the 11th day of May 1992
IN THE MATTER OF
FOSTER ELECTRICAL SUPPLIES LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 11th day of May 1992 confirming the reduction of the Capital of the above-named Company from £2,343,100 to £2,180,803 and the Minute approved by the Court showing with respect to the Capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 23rd day of May 1992.
Dated this 11th day of June 1992.
SPEECHLY BIRCHAM, Bouverie House, 154 Fleet Street, London EC4A 2HX
Ref: PAK/MTD/091128/025
Solicitors for the above-named Company.

Notice of appointment of Joint Administrative Receivers.
QUADRANT HAMPERS LIMITED
Registered no. 2509223. Trading name: Quadrant Hampers Ltd. Trade classification: 16. Name and Address of Joint Administrative Receivers: B Klempka and M J Moore, Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP. Office Holder Nos: 5791 and 5562. Date of appointment of joint administrative receivers 28 May 1992. Name of person appointing joint administrative receivers: Midland Bank plc.

Notice of appointment of Administrative Receiver
SHELFCO (No 408) LIMITED
Registered no. 2415152. Nature of Business: Property Investment Company. Trade classification: 35. Date of appointment of administrative receiver: 1 June, 1992. Name of Person Appointing the Administrative Receiver: Bristol and West Building Society. Marios Palios, Cork Gully, Abacus Court, 6 Minshull Street, Manchester M1 3ED. Office Holder No: (5701)

Notice of appointment of Administrative Receiver
GIFT HAMPERS INTERNATIONAL LIMITED
Registered no. 2492893. Trading name: Gift Hampers International Ltd. Trade classification: 16. Name and Address of Joint Administrative Receivers: B Klempka and M J Moore, Cork Gully, Albion Court, 5 Albion Place, Leeds LS1 6JP. Office Holder Numbers: 5791 and 5562. Date of Appointment: 28 May 1992. Name of Appointer: Midland Bank plc

Notice of appointment of Administrative Receiver
ELLIS, SON & VIDLER LIMITED
Registered no. 2013988. Nature of business: Dealers in Wines, Sprits etc. Trade classification: 12. *Date of appointment of administrative* receivers 29 May 1992. Name of person appointing joint administrative receivers: National Westminster Bank plc. Joint Administrative Receivers: N J Vought and C J Hughes. Office Holder Nos: 6339 and 2041. Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ

COMPANY NOTICES

QUEBEC CENTRAL RAILWAY COMPANY CAPITAL STOCK
In preparation for the payment of the half-yearly dividend due July 15 *1992 on the above stock, the* transfer books will be closed at 3.30 p.m. on June 26 1992 and will be re-opened July 6, 1992.
D.R. Keast
Assistant Secretary
62-65 Trafalgar Square
London WC2N 5DY
June 11 1992

THE ROYAL BANK OF CANADA
U.S. $300,000,000 Floating Rate Debenture Notes due 2085
NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 12th June, 1992, the Notes will bear interest at the rate of 4⅝% per annum. The interest payable on 14th September, 1992 against Coupon No. 26 will be U.S. $10.934027 per U.S. $1,000 nominal.
Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

ART GALLERIES

S MARCHANT & SON
Announce an exhibition of Qing Mark and Period Monochrome and Two-Coloured Wares, 7-26 June. *10am - 5pm excl.* weekends, 120 Kensington Church Street, London W8.

COMMODITIES AND AGRICULTURE

Exports dent Russia's official gold reserves

By Leyla Boulton in Moscow

RUSSIA HAS exported 30 tonnes of gold so far this year and its official reserves now stand at a total of 210 tonnes, the chief of the republic's co-ordinating body for precious stones and metals said yesterday.

Mr Yevgeny Bychkov said that 75 tonnes of the gold reserves were with the Russian central bank, while the remaining 135 tonnes are being held by his Committee for Precious Stones and Metals.

The latest reserve figure, dating from June 1, is lower than the 240 tonnes figure (of January 1) given as the reserves of the whole Soviet Union before the country collapsed in December 1991.

The decline in reserves has occurred because very little gold has been extracted since the Soviet reserves were transferred to Russia (the Russian gold mining season begins in May and ends in November) and "we have had expenses to cover in the mean time", Mr Bychkov explained.

He said figures for annual gold production remained confidential. But he dismissed a forecast he attributed to Mr Valery Rudakov, head of the state Rosalmazzoloto gold and diamond mining conglomerate, that production was expected to fall by 30 per cent this year.

He also said that the gold needs of domestic industry (jewellery and electronics) would total about 90 tonnes for this year.

The government had also committed itself to exporting at least 25 per cent of gold production, so that it could pay producers some hard currency.

According to one western estimate, total gold production of the former Soviet Union last year was 220 tonnes, and could fall to 200 tonnes in the next three years.

Mr Bychkov admitted that a key priority was to attract investment into the flagging gold industry, but suggested it was unlikely that an Australian consortium called Star Technology Systems would be allowed to conclude a deal making it the first foreign company to buy into a Russian gold mining enterprise.

He said he had already held preliminary talks with international mining companies, including RTZ and Newmont, on ways in which they could do business in Russia.

He said the Sukhoi Log mine, Russia's largest proven hard rock gold deposit and part of the state-owned Russian company Star wants to be buy into, would most likely be put out to tender – a process that would take a long time.

Lenzoloto, the Russian enterprise in question, has said it needs money fast, to keep up work already begun on this and other parts of its operations. Mr Bychkov said the Russian state would give it $16m – proceeds from other gold sales – to keep going. "It is a form of government help," he said.

Although copper is not part of his responsibilities, Mr Bychkov revealed that Russia also planned soon to put out to international tender the development of one of its biggest copper mines – at the Udokan site in Siberia.

He said that the government also hoped that freeing the domestic price of gold to a world level of $11 a gramme (Rbs85 according to the official market exchange rate) would stimulate output.

That was the price the state would pay producers for their gold. But unresolved difficulties remained.

One was how to support the self-employed brigades that undertook seasonal mining but remained dependent on big state-owned enterprises for equipment. Another was how to restructure the enterprises themselves.

Mr Bychkov, who was appointed to the head of the committee formed by President Boris Yeltsin in November after he was cleared of wrongdoing in a scandal over illicit diamond sales, said he remained dissatisfied with Russia's partnership with De Beers' Central Selling Organisation.

A deal concluded between the CSO and the Soviet Union in July 1990 gave Moscow a $1bn loan against future diamond deliveries.

The five-year agreement also gave De Beers the exclusive right to sell Russian uncut (rough) diamonds on international markets.

Mr Bychkov said Russia had no alternative but to abide by the deal, but suggested that it inhibited Russia from polishing more of its own stones.

He said Russia had both the know-how and the equipment to engage in the more profitable activity of cutting its own diamonds, rather than exporting rough stones. But even though nothing in the De Beers deal banned Russia from trading in polished diamonds, it still lacked the marketing skills to do so on any significant scale.

SA union wants state to help shrink mines industry

By Philip Gawith in Johannesburg

SOUTH AFRICA'S National Union of Mineworkers has proposed state aid in restructuring the gold mining industry, to assist an orderly scaling down and to protect jobs.

Although the union's initiative is at industry level, it arises from the particular circumstances of the Harmony gold mine, by far the largest of the country's marginal gold mines, where 6,000 workers were recently laid off.

The initiative comes against the background of some 130,000 lost jobs in the industry since 1989, with about 30,000 workers retrenched or dismissed in the past year.

The NUM, which presented its proposals to Mr George Bartlett, minister of mineral and energy affairs, earlier this week, contends that state policy on not aiding marginal mines is seriously flawed.

It argues that the 1990 Marais Committee report into the subject is outdated, because it seriously underestimated the speed and extent to which mines would be forced to scale down operations. The government will respond within the next two weeks.

The NUM, though accepting that all mines must eventually close, believes the state should assist the industry restructuring process.

It suggests this should take the form of a carefully structured aid programme for marginal mines, to slow down the rate of contraction of the industry and thus benefit workers, suppliers and the regional economy.

The union proposes the state should seek to maintain employment levels, that underground production should be increased to lengthen mines' lives, and that miners should be retrained in other skills. Further, alternative uses of mining assets should be encouraged, and rural areas should get planned assistance, in view of the serious effects of job losses in mines.

The NUM argues that short-term relief can be offered to a mine without any net cost to the national exchequer. Although a mine operating at a loss does not pay tax, its operations benefit the exchequer in five ways: employees' income taxes; direct taxes such as VAT; Regional Service Council levies on wages; mining lease taxes and taxes paid by mine suppliers and their employees.

The NUM's calculations for 1990 indicate that the tax generated by a mine making no profit was worth R4,912 (£951.90) per kilogram of gold produced, and thus a state subsidy of this amount would be justified. In the first quarter of 1992, about 12 per cent of gold was produced at a loss.

Analysts reckon that five mines are in immediate jeopardy - Doornfontein, Libanon, Loraine, SA Land and West Rand Consolidated, with another five not far behind. Production coming on stream at some of the richer mines will largely offset any closures.

Mr Dave Giese, analyst at stockbrokers Davis, Borkum Hare, estimates that closures over the next two years could cause gold production to fall by 5 per cent, to about 570 tonnes a year by 1994.

Ex-Soviet Union's aluminium exports soar

By David Blackwell in Brussels

EXPORTS OF aluminium from the former Soviet Union to the West soared to 1m tonnes last year, the European Aluminium Association estimates.

This compares with exports during the 1980s of between 250,000 and 300,000 tonnes a year. The huge increase in supply – and not weak demand – was the main reason for the European industry's problems over the past 18 months, Mr Dag Flaa, president of the EAA, said yesterday.

He said: "It is obvious that such a dramatic and sudden change in the metal flow to the West was bound to give digestion problems in the industry.

"Without this disturbing influence, the market balance for aluminium would have been fairly satisfactory."

The increase in imports has led to cuts in European production. Last year output fell 3.5 per cent to 3.48m tonnes. This year the EAA estimates European output will fall further to 3.28m tonnes, following cuts in both production and capacity.

Total world output in 1991 was up 3.5 per cent to 14.81m tonnes. The rise followed new smelter capacity in Canada, Latin America and Asia. An additional 640,000 tonnes of capacity is expected to come on stream this year.

European consumption continued to increase in 1991 but by only 1.7 per cent, to 4.7m tonnes. The EAA last year forecast an increase of 4.5 per cent, expecting much greater offtake in eastern Germany, which did not materialise. It now expects a further 2.5 per cent rise this year, reflecting increased demand from both the packaging and construction sectors.

While the EAA remains optimistic on world consumption prospects, forecasting an annual growth rate of about 3 per cent, it remains concerned about the low level of world prices.

Dr Hans Georg Seebauer, secretary general of the EAA, pointed out that "LME quotations of less than $1,350 a tonne are certainly not sufficient to cover the costs of most Western World producers".

Mr Flaa believes there are grounds for optimism as the supply-demand balance becomes more healthy. But he admits that, while the association hopes to see a reduction in exports from the former Soviet Union, "we have to assume that the level will still be high by historical standards".

He believes, however, that the underlying market balance is fundamentally different from the early 1980s, when only 80 per cent of the Western aluminium industry was working. Today the rate is 96 per cent.

● Stocks of aluminium at Western smelters totalled 3.278m tonnes at the end of April, compared with 3.291m in March and 3.363m in April 1991, provisional International Primary Aluminium Institute figures show.

Primary aluminium in Europe

Million tonnes

Source: European Aluminium Association

Norwegians cut salmon mountain

By Robert Taylor in Stockholm

NORWAY has sold more than 90 per cent of its frozen salmon mountain of 37,500 tonnes on the world market for about £100m. This is well above original estimates, according to Aquastar, a wholly-owned subsidiary of BP Nutrition.

By the beginning of this month only about 4,000 tonnes of Norway's salmon stock remained to be sold.

Aquastar was appointed last November by a consortium of Norwegian banks and the Norwegian government to sell the stock of frozen salmon left by FOS, the Norwegian fish farmers organisation, when it went bankrupt. This amounted to 20 per cent of annual Norwegian salmon production.

"We have managed to sell Norway's salmon in a controlled way," said Mr Ingo Skulason, Aquastar's managing director, yesterday.

He added: "We have stabilised the world salmon market but maximised the price of it. The company has followed a tough trading policy with stringent [price] monitoring of the salmon where it has been sold".

The salmon has been sold to more than 30 countries, mainly in eastern Europe and the Far East. It was not sold in the US and the European Community in order to avoid allegations of dumping.

London aims to lift sugar trade

THE LONDON Futures and Options exchange has hired independent commodities consultant Landell Mills Commodities Studies to look at ways of developing the London sugar market, Reuter reports.

Mr Phillip Thorpe, the exchange's chief executive, said: "London FOX has commenced a study to assess how the sugar market can develop and expand in the medium to long-term and how it should best respond to changing market conditions."

Declining raw sugar volumes over the past 18 months have been of concern to traders for some time.

In an attempt to revive interest, the market switched from floor- to screen-trading, only to revert to the floor one year later, this January.

In the first four months of this year, raw sugar traded only 50,110 lots, compared with 136,313 lots in January to April 1991 and 426,463 lots in the corresponding period of 1990.

Brazilian court drops restraint on tin mine

By Bill Hinchberger in São Paulo

A BRAZILIAN high court suspended on Tuesday a restraining order that was preventing the Ebesa mining group from initiating tin exploration at Bom Futuro, an open-cast site in the Amazon state of Rondonia.

Ebesa is a seven-company joint venture headed by Paranapanema, the world's largest tin exporter and Brazil's largest private mining company. Ebesa holds the mining rights to Bom Futuro.

The court order had been issued in response to a suit filed by wildcat miners operating at the site.

Under the terms of Tuesday's decision, these miners will be forced to abandon their operations.

Mr Samuel A. Hanan, director-vice president of Paranapanema, said the company will demand that clandestine firms leave the area. He said individual wildcatters might be hired to work for Ebesa at the site. Some 500-600 employees would be needed when the mine was fully operational.

Mr Hanan said that Ebesa would have a small plant in place within 10 days, but he could not predict when the mine would be in full production. Output should not exceed the 8,000-10,000 tonnes a year now extracted by wildcat miners. Those independent miners extracted 81,500 tonnes between 1987, when operations began, and last year.

Vietnam opens up more oil exploration blocks

By Neil Buckley

VIETNAM has opened up four more oil blocks off its southern coast to exploration by foreign companies, PetroVietnam, the state oil company, said yesterday.

Mitsubishi of Japan, the Astra Group of Indonesia and British Gas are the latest companies to reach provisional accords in a region which is attracting increasing interest from foreign oil producers, as they seek to replace their reserves. Bidding for the final block was still going on, PetroVietnam said.

Lasmo, the independent UK oil producer, announced last week that it had won a joint tender with C. Itoh, the Japanese trading company, in the same area. That was followed this week by an announcement from British Petroleum and Statoil, the Norwegian state-owned oil company, that they had formally confirmed a production-sharing contract with PetroVietnam for a concession offered in the first licensing round.

Vietnam has now allocated nine of the 10 blocks south-east of the southern coastal town of Vung Tau to foreign bidders. The blocks were originally to be explored by Vietsovpetro, a joint venture with the Soviet Union, but were handed back to Vietnamese control a year ago, after Hanoi complained that Moscow lacked the technology to develop them.

Ivory Coast to propose cocoa marketing system

THE IVORY Coast, the world's biggest cocoa exporter, is to present its aid donors this week with a proposal for a cocoa crop marketing system, said Mr Michel Manceau, managing director of EC-sponsored association Aproma, Reuter reports from Paris.

Mr Manceau was talking after a visit to see how the country was implementing a reform of its cocoa marketing prompted by aid donors.

"The liberalisation of its domestic network worked well," he said. "What has to be done now is to define how it will put forward its anticipated sales and ensure a permanent presence on the market. The amounts will not be discussed, only the method."

The country's donors consider that the Ivory Coast's withdrawal from the world market, as well as its return, have had a negative impact on world cocoa prices, he said.

"Cocoa prices tumbled this year, even though the Caistab [Caisse de Stabilisation, the Ivorian commodities board] has stepped out of the world market," Mr Manceau said.

European traders earlier said the delayed start to Ivory Coast's new crop sales campaign was increasingly weighing on cocoa prices, which are at 16½-year lows.

"The important thing is that the Ivory Coast set up a control system of its own sales, define its anticipated sales, and its method for a permanent presence on the market," Mr Manceau said.

WORLD COMMODITIES PRICES

MARKET REPORT

COCOA prices dropped to fresh 16½-month lows at the London Futures and Options Exchange yesterday in a continuation of Tuesday's sharp decline. Dealers could find no fundamental reason for the fall, which left the September delivery position £10 down at £539 a tonne, £4 above the day's low. Likewise in the COFFEE market lack of supportive news rather than any notable deterioration in fundamentals was blamed for another sharp fall. The September robustas price closed at $723 a tonne, down $11 on the day. "People just get tired and they sell it down to a level where other people are comfortable to hold on to a few longs for a couple of days," one trader said. At the London Metal Exchange the recent declines in NICKEL and ALUMINIUM prices were arrested and other contracts closed with modest gains. An upturn in COPPER values quickly ran into resistance at the same dollar level that marked the end of the previous bounce in the middle of last week. The cash price closed at £1,233.50 a tonne, up £4.50. Market talk of Chinese selling at the higher levels could not be confirmed although it was sufficient to make buyers cautious.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.70-8.85	-.125
Brent Blend (dated)	$20.95-1.10	-0.05
Brent Blend (Jul)	$20.90-1.00	-.075
W.T.I (1 pm est)	$22.20-2.25y	-0.10
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$233-236	-3
Gas Oil	$188-189	
Heavy Fuel Oil	$81-82	-2
Naphtha	$197-199	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$338.00	+0.05
Silver (per troy oz)♣	406c	+1
Platinum (per troy oz)	$368.25	+1.1
Palladium (per troy oz)	$80.60	+0.25
Copper (US Producer)	107.90c	-0.01
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	16.07r	+0.02
Tin (New York)	302.25c	+2.75
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.88p	+1.80*
Sheep (live weight)†♠	83.68p	+1.34*
Pigs (live weight)†	94.88p	+3.50*
London daily sugar (raw)	$252.6t	-2
London daily sugar (white)	$293.5t	-5.5
Tate and Lyle export price	£247.0	-0.5
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£149.0z	
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.50p	
Rubber (Aug)♥	52.50p	
Rubber (KL RSS No 1 Jul)	222.0r	
Coconut oil (Philippines)§	$620.0t	+20
Palm Oil (Malaysian)§	$405y	
Copra (Philippines)§	$402.5y	-2.5
Soyabeans (US)	£152.5t	+2.5
Cotton "A" Index	64.10c	+0.6
Wooltops (64s Super)	418p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Apr z-Jun. q-May. †Meat Commission average latestockprices.* change from a week ago ♥London physical §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	228.60	224.00	228.80 221.00
Oct	218.80	214.00	217.80 212.80
Dec	205.00	205.00	203.00 197.00
Mar	208.80	206.00	205.60 205.60
White	**Close**	**Previous**	**High/Low**
Aug	286.90	288.60	288.50 284.00
Oct	270.90	269.50	271.90 268.70
Dec	270.00	269.10	270.50 270.00
Mar	274.40		274.60 270.00
Oct	274.40	280.00	

Turnover: Raw 164 (146) lots of 50 tonnes. White 1298 (1453)
Paris- White (FFr per tonne): Aug 1355.80 Oct 1472.20

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jul	21.06	21.03	21.06 20.75
Aug	20.97	20.90	20.97 20.65
Sep	20.82	20.83	20.82 20.59
Oct	20.68	20.74	20.78 20.55
Nov	20.60	20.60	20.61 20.41
Dec	20.45		20.45 20.38
IPE Index	21.08	21.16	

Turnover 22000 (27559)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jun	188.25	187.25	188.50 184.50
Jul	187.25	188.25	187.75 185.00
Aug	189.25	190.00	189.25 186.75
Sep	191.00	192.00	191.00 188.50
Oct	193.25	194.25	193.25 191.00
Nov	194.75	196.00	195.00 192.75
Dec	196.00	197.50	196.25 194.75

Turnover 18696 (13241)lots of 100 tonnes

WOOL

Prices at auction sales last week were looking a little shaky, and the British Wool Marketing Board lowered its reserves by about five per cent without leading to any improvement in the clearance to the trade. This week Australia opened more definitely easier and prices for a wide range of wools were down in the 10-15 Australian cents a kg range. With the season now having only a couple of weeks to run, and official forecasts indicating a higher clip than first expected this season and next, price prospects are being adjusted downwards. The AWC market indicator closed 8 cents down at 577 cents a kg.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	518	529	527 518
Sep	539	549	548 535
Dec	574	584	583 568
Mar	604	615	613 599
May	624	635	634 622
Jul	644	665	650 643
Sep	664	675	667 663
Dec	694	705	703 690

Turnover: 3854 (3854) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 8 665.72 (678.77) 10 day average for Jun 9 684.71 (687.39)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Jul	696	708	706 694
Sep	723	734	731 720
Nov	745	755	763 744
Jan	766	773	765 762
Mar	785	790	781 779
May	795	807	

Turnover:2659 (1452) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 9: Comp. daily 49.00 (48.80) 15 day average 49.80 (49.81)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	88.5	85.8	88.5 86.5

Turnover 93 (108) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	124.5	126.50	

Turnover 0 (0)lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jun	1116	1102	1116 1115
Jul	1041	1030	1046 1041
Jan	1222	1210	1225 1222
BFI	1183	1187	

Turnover 52 (196)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jun	125.65	125.60	125.85 125.25
Nov	114.05	114.35	114.30 114.05
Jan	117.80	118.15	117.80
Barley	**Close**	**Previous**	**High/Low**
Sep	107.85	107.90	107.85 107.85
Jan	114.60		114.60 114.50

Turnover: Wheat 94 (72) , Barley 10 (0).
Turnover lots of 100 Tonnes

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	119.9	119.5	119.9 119.8
Aug	105.7	106.0	105.5 105.5
Sep	107.0	107.0	107.0 106.3
Oct	108.0	108.5	108.0 107.8

Turnover:46 (81) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 36,709 lots	
Cash	1274-75	1269-70		1278-79		
3 months	1300-01	1295-95.5	1304.5/1295	1304-04.5	1300.5-01.5	159,817 lots
Copper, Grade A (£ per tonne)					Total daily turnover 23,597 lots	
Cash	1233-34	1228.5-29.5	1239.5/1236	1239-39.5		
3 months	1257.5-58	1252.5-53	1263/1257	1261.5-62	1257-57.5	105,721 lots
Lead (£ per tonne)					Total daily turnover 4,995 lots	
Cash	296.5-7.5	296-97	298	297.75-98		
3 months	308-09	307.5-8.5	310/308.5	309-9.5	308-09	18,469 lots
Nickel ($ per tonne)					Total daily turnover 5,496 lots	
Cash	7100-10	7060-70	7110/7108	7108-10		
3 months	7180-85	7145-50	7195/7140	7175-80	7180-90	24,684 lots
Tin ($ per tonne)					Total daily turnover 1,482 lots	
Cash	6465-75	6480-85	6475	6475-80		
3 months	6500-10	6500-05	6520/6495	6507-10	6495-500	9,238 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 1,994 lots	
Cash	1440-02	1439-41	1451/1449.5	1450-50.5		
3 months	1251-52	1251-52	1252/1246	1250-50.5	1245-46	54,651 lots

LME Closing £/$ rate:
SPOT: 1.8321 3 months: 1.8075 6 months: 1.7819 9 months: 1.7620

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	337.80-338.20	
Opening	337.65-338.05	
Morning fix	337.85	184.30
Afternoon fix	337.65	184 20
Day's high	338.50-338.90	
Day's low	337.80-337 90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.56	6 months	3.43
2 months	3.47	12 months	3.57
3 months	3.44		

Silver fix	p/troy oz	US cts equiv
Spot	221.26	405.60
3 months	223.50	409.70
6 months	225.81	413.95
12 months	231.40	424.20

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	337.75-338.75	184.50-185.00
Maple leaf	348.50-349.50	190.50-191.00
New Sovereign	83.00-84.00	45.25-45.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	84	108	3	6
1300	8	37	25	35
1400	3	7	116	106
Copper (Grade A)	**Calls**		**Puts**	
2100	164	169	3	3
2200	66	81	3	12
2300	5	24	40	54
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	48	79		6
700	10	43	12	20
750		21	52	48
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
500	20	29	2	15
525	4	17	11	28
550		10	32	46
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
2050	27		3	38
2100	3	38	9	59
2150		20		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	337.9	338.3	338.8	337.7
Jul	338.7	339.1	0	0
Aug	339.8	340.2	340.8	339.5
Oct	341.7	342.1	342.0	341.6
Dec	343.8	344.2	344.7	343.6
Feb	346.1	346.5	346.2	346.0
Apr	348.4	348.8	0	0
Jun	350.8	351.2	350.7	350.7
Aug	353.5	353.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	365.9	363.2	366.0	364.0
Oct	372.9	369.7	373.0	370.5
Jan	371.2	368.0	371.2	370.0
Apr	371.0	367.6	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	405.2	404.1	405.0	404.5
Jul	405.8	404.8	407.0	405.5
Aug	407.6	406.6	0	0
Sep	408.9	407.9	410.0	408.5
Dec	413.5	412.5	414.5	413.0
Jan	415.2	414.2	0	0
Mar	418.7	417.7	420.0	419.0
May	422.3	421.3	0	0
Jul	426.0	425.0	0	0
Sep	430.3	429.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	103.25	103.85	103.75	103.20
Jul	103.30	104.00	104.45	103.25
Aug	103.25	103.90	104.15	103.70
Sep	103.25	103.80	104.25	103.25
Oct	103.20	103.75	104.00	104.00
Nov	103.20	103.70	0	0
Dec	103.15	103.65	104.00	103.15
Jan	102.90	103.35	0	0
Feb	102.65	103.05	0	0
Mar	102.45	102.80	103.20	102.70

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	60.45	61.60	61.70	60.20
Sep	62.35	63.60	63.50	62.15
Dec	65.20	66.55	66.45	65.10
Mar	68.15	69.45	68.90	67.95
May	72.35	73.60	73.20	72.20
Jul	75.00	75.85	75.25	75.00
Sep	76.35	77.85	77.20	76.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	22.35	22.32	22.37	22.03
Aug	22.35	22.30	22.38	22.08
Sep	22.24	22.18	22.28	21.94
Oct	22.13	22.07	22.13	21.85
Nov	22.05	21.98	22.06	21.76
Dec	21.95	21.85	21.88	21.65
Jan	21.80	21.72	21.80	21.58
Feb	21.50	21.58	21.50	21.43
Mar	21.40	21.45	21.40	21.40
Apr	21.32	21.32	21.25	21.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	6120	6058	6125	5965
Aug	6170	6110	6175	6040
Sep	6270	6223	6275	6160
Oct	6360	6313	6360	6250
Nov	6445	6399	6435	6356
Dec	6515	6479	6515	6430
Jan	6535	6489	6535	6440
Feb	6396	6359	6395	6305
Mar	6150	6114	6140	6100
Apr	6000	5969	6000	5940

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	802	838	828	800
Sep	846	883	872	845
Dec	904	939	930	902
Mar	956	991	980	953
May	986	1021	992	992
Jul	1013	1048	1030	1019
Sep	1044	1079	1063	1063
Dec	1068	1118	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.23	10.01	10.27	9.92
Oct	9.59	9.46	9.67	9.40
Mar	9.44	9.35	9.50	9.28
May	9.38	9.28	9.44	9.22
Jul	9.30	9.20	9.34	9.20
Oct	9.21	9.00	9.25	9.21

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	60.64	61.49	61.25	60.51
Oct	62.22	63.23	62.95	62.20
Dec	62.02	62.71	62.40	61.86
Mar	63.10	63.75	63.30	62.90
May	63.70	64.40	63.70	63.55
Jul	64.07	64.78	64.10	64.05
Oct	62.00	63.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	131.50	133.30	132.90	131.50
Sep	123.15	124.50	124.25	123.00
Nov	115.90	116.50	116.15	115.90
Jan	115.10	115.40	115.10	114.65
Mar	114.75	115.00	115.00	114.65
May	114.30	114.80	0	0
Jul	114.30	114.80	0	0
Sep	114.30	114.80	0	0
Nov	114.30	114.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jun.10	Jun.9	mnth ago	yr ago
1601.2	1598.6	1589.9	1747.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jun.9	Jun.8	mnth ago	yr ago
Spot	119.39	118.60	117.72	130.95
Futures	120.03	119.65	118.80	127.78

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	625/6	630/0	627/6	622/4
Aug	629/4	633/4	630/6	626/0
Sep	634/0	638/0	636/0	631/0
Nov	640/2	645/0	642/4	636/4
Jan	647/4	651/6	648/4	644/0
Mar	655/4	659/0	656/4	652/4
May	658/4	663/0	659/0	656/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	22.05	22.07	22.18	21.95
Aug	22.18	22.13	22.30	22.10
Sep	22.36	22.36	22.47	22.29
Oct	22.49	22.50	22.56	22.37
Dec	22.77	22.80	22.87	22.65
Jan	22.87	22.80	22.87	22.75
Mar	23.07	23.11	23.07	22.95
May	23.27	23.30	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	184.7	185.9	185.6	184.1
Aug	185.2	186.4	186.2	184.8
Sep	186.0	187.5	186.7	185.6
Oct	204.4	204.7	204.5	203.5
Dec	204.5	205.7	205.0	203.4
Jan	204.6	206.0	205.0	203.8
Mar	205.5	207.0	205.5	204.1
May	206.5	208.2	206.5	205.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	263/6	264/0	264/0	262/2
Sep	267/2	267/2	267/4	265/2
Dec	271/0	270/4	271/2	268/2
Mar	278/0	277/6	278/2	275/4
May	280/4	280/0	280/4	278/2
Jul	282/6	282/4	283/0	280/0
Sep	267/4	267/0	267/4	267/0
Dec	264/0	264/0	264/0	261/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	373/0	376/4	375/4	371/4
Sep	377/2	379/4	380/0	378/0
Dec	384/4	386/6	387/4	384/0
Mar	384/2	387/0	387/4	384/0
May	369/4	371/0	371/0	369/4
Jul	345/0	346/4	348/4	344/0
Sep	353/0	353/0	353/0	353/0
Dec	363/0	363/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	73.225	73.475	73.400	73.200
Aug	70.375	70.875	70.825	70.350
Oct	70.100	70.375	70.350	70.050
Dec	69.450	69.975	70.050	69.450
Feb	69.325	69.750	69.650	69.250
Apr	70.825	71.025	71.000	70.825
Jun	68.075	68.600	68.600	68.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	47.475	47.525	47.500	47.200
Jul	44.250	44.700	44.750	44.150
Aug	42.100	42.125	42.300	42.000
Oct	38.600	38.600	38.675	38.350
Dec	41.550	41.625	41.700	41.400
Feb	43.300	43.325	43.600	43.300
Apr	42.400	42.650	42.600	42.400

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.425	33.075	32.900	31.300
Aug	29.425	30.575	30.450	29.250
Feb	43.300	43.750	43.850	43.050
Mar	42.550	43.050	43.250	42.500
May	43.700	44.500	43.850	43.300

US FINANCE AND INVESTMENT

Thursday June 11 1992

Corporate America has been undergoing a restructuring of its balance sheet over the past year, swapping the heavy debt burden of the 1980s for equity or fixed income paper with lower rates of interest, writes Martin Dickson

A four-letter word: debt

THE RESTRUCTURING of Corporate America's balance sheet – the most important change in US financial markets over the past two years – is continuing apace as the nation adjusts from the financial excesses of the 1980s.

Helped by a stock market boom and falling interest rates, US companies have been rushing to issue new equity and cut their debt, or refinance their existing borrowings on more favourable terms.

Most have been able to do so in an orderly fashion, yet others facing cash-flow crises have had to seek the protection of the bankruptcy courts for their restructurings. Companies which have filed for Chapter 11 bankruptcy protection since the start of the year include Macy's, the New York-based department store chain, and parts of Olympia & York, the Canadian property group.

These trends still have some way to run. The wave of corporate bankruptcies seems past its peak, and should continue to diminish if the US economy sustains its slow recovery from the 1991 recession. But this will *doubtless be accompanied by* some further high profile disasters. The Olympia & York debacle is a reminder of the extreme fragility of the North American property market.

The substitution of equity for debt is also incomplete. After all, 1991 was only the first time in eight years that *US corporations issued more* stock than they retired. But the pace of change could slow as the year advances: investors are getting more choosy about the equity they buy and the stock market is looking very generously valued.

There could be a substantial market correction over the next few months, especially if the trend of interest rates begins to rise consistently, a development which could also stem the flow of debt issues.

Nevertheless, the net effect of these changes will eventually be a much healthier US business environment, as well as some very fat fees for the Wall Street investment banks and law firms which, cynics note, also reaped handsome rewards advising their clients during the great debt and takeover booms of the 1980s.

Wall Street enjoyed bumper profits in 1991, thanks largely to the flood of new issues, and sustained this through the first quarter of this year.

However, one house was conspicuously absent from the feast: Salomon Brothers, which *was hit last August* by a *scandal* over its behaviour during auctions of US treasury bonds. That led to a change of the company's top management and a long investigation by the Securities and Exchange Commission which ended last month in $290m of fines and restitution for Salomon.

While the SEC investigation continued, many companies were unwilling to give Salomon a mandate to lead-manage share issues, or advise on delicate takeover work, and the firm's profits suffered accordingly. Still, even Salomon recorded its third most profitable quarter in the first three months of this year.

America's commercial banks, while enjoying no such profits bonanza, are at least slowly emerging from the crisis they faced when the US plunged into recession and the property and leveraged buy-out bubbles of the 1980s burst.

The banks have ingested large doses of medicine, including heavy bad debt provisions, slashed dividends, the sale of non-essential assets and large cuts in their bloated operating *costs. And they have been* greatly aided by the Federal Reserve's easing of interest rates, which has allowed them to improve their net interest margin – the difference between what banks pay to borrow funds and what they charge to lend money.

Mr Gerald Corrigan, president of the New York Fed, noted recently that the vast majority of the big US banks' risk-based capital ratios are now well in excess of the minimums set by the Bank for International Settlements, "a result many observers would have regarded as unreachable only a few years ago".

But despite tentative signs that some regional banks are becoming more ready to add to their loan portfolios, the banking recovery is likely to remain subdued, because of the severe problems still facing the property sector.

A key question for the banking industry over the next two *years is whether efforts to* reform the US banking system, which largely came to nothing in 1991, will get a second wind following November's presidential election. Bankers are hopeful that Congress might permit branch banking across state lines, which would allow the industry to rationalise its cost structure, although abolition of the long-standing ban on banks entering the securities business still seems far away.

Whatever the politicians' decision on inter-state banking, the industry will continue its consolidation wave in an attempt to cut costs and improve efficiency. The past year has seen a sharp increase in this trend, with mergers bringing together New York's Chemical Bank and Manufacturers Hanover, California's BankAmerica and Security Pacific, and the South's NCNB and C&S Sovran.

Wall Street's mergers and acquisitions experts, the investment banking glamour boys of the 1980s, must be very thankful to the banking sector for all these marriages, since takeover activity in general has fallen sharply over the past two years.

The corporate raiders who made much of the running in the 1980s are now largely discredited and cannot raise funds readily, while many industrial companies are more concerned to improve the efficiency of their businesses rather than make large acquisitions.

The deals that do go through are all agreed – there has not been a big hostile bid in the US for a year – and tend to be medium-sized, strategic acquisitions. One source of such deals over the next few years will be the US defence industry, which is in the early stages of a tricky rationalisation in response to declining Pentagon spending on hardware.

These trends have meant a withering of the size and prestige of Wall Street's mergers and acquisitions departments, and a concomitant increase in the influence of advisers on debt, equity and other instruments, as well as corporate restructurings.

Total US financing volume reached a record $586bn in 1991, up 88 per cent on 1990, itself a record year, and the trend continued in the first quarter of this year, with $216bn of new issues, some 37 per cent of last year's total.

Apart from heavy issuance of debt and equity, the market has also seen continued growth in asset-backed securities – instruments which rely on cash flow from pools of assets, such as credit card receivables, to pay investors principal and interest.

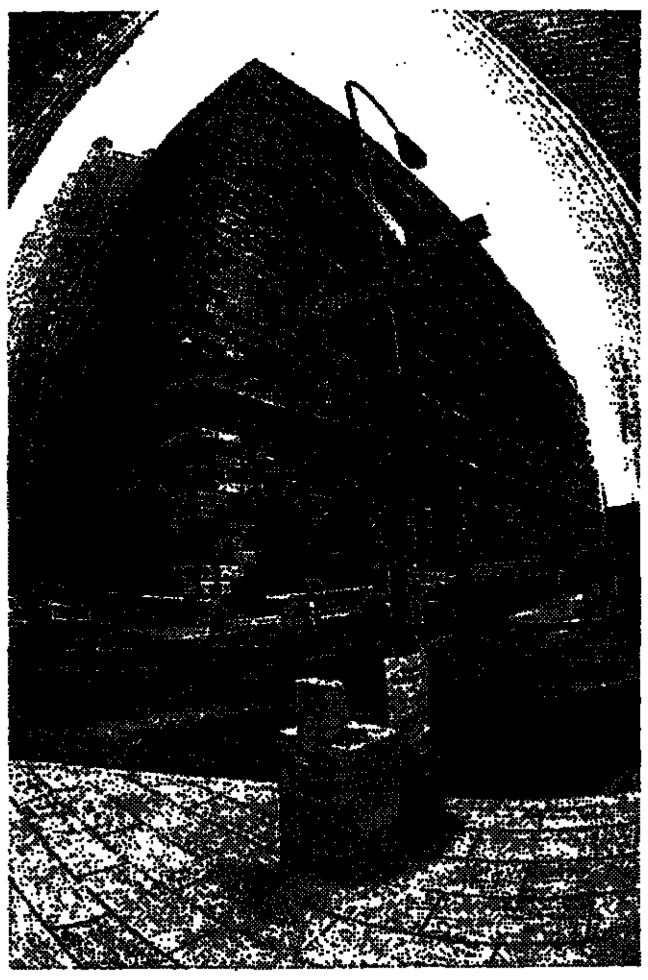
For issuers this market provides not only easily available funds – even for those with otherwise problematic credit ratings – but a means of taking assets off the balance sheet and improving capital ratios. It is hardly surprising that banks have been the largest issuers, though the strengthening of their balance sheets was probably the main cause of a first quarter slowdown in new issuance.

At the same time, Wall Street is busily trying to bring to the market innovative new debt and equity products, many of them designed to relocate or reduce risk.

The past year, for example, has seen a resurgence of interest in "hybrid" debt securities which combine conventional borrowing instruments with derivatives such as swaps or options.

But for all this activity, many analysts doubt that the coming decade can hope to match the extraordinary boom in financial innovation of the past two.

As Mr Merton Miller, Nobel prize-winning economist at the Chicago Business School, pointed out recently: "In the *avant-garde* academic literature of economics and finance today, few signs can be seen of new ideas and concepts like those that bubbled up in the 1960s and 1970s and came to fruition later in specific innovations."



Photographs by Ashley Ashwood (left) and Glyn Genin

Two facets of the US scene: the Federal Reserve Bank of New York and (right) the Chicago Options Exchange (see story, page 3)

Bumper underwriting fees are being earned, reports **Nikki Tait**

Upsurge in equity issues as Wall Street scents recovery

TO SAY that the corporate America has been cashing in on record stock market levels would be an understatement.

During 1991, total US equity issues reached a record $56bn – almost three times the level seen in the previous year. The current 12 months got off to a similar start: total equity issues, including preferred stock, reached $29bn in the first three months, and the pace has appeared to slacken only slightly in the second quarter.

This upsurge has been mirrored in the area of "initial public offerings" – that is, companies floating their shares for the first time. IPOs rose to a heady $18.3bn in 1986, the year before stock markets crashed round the world, but for the next three years, the annual figure barely topped $6bn. Then in 1991, it spurted upwards, to $16.3bn. In the first quarter of 1992, it reached $11bn.

The reason for this flood of new equity is simple. Wall Street has been scenting the economic recovery for well over a year and marking share prices up in advance of the hoped-for earnings improvement. Historic price-earnings multiples are, therefore, high.

Meanwhile, a high proportion of companies has balance sheets which are still burdened by debts taken on during the 1980s, when leverage was fashionable and credit easy. The desire to restructure balance sheets is, consequently, widespread. Although low interest rates have meant that part of this financial overhaul has centred on revised debt arrangements, the replacement of debt by equity has been another crucial ingredient.

On top of this, certain cyclical industries are lagging behind Wall Street's optimism. These would certainly include the airline sector, which has stacked up after-tax losses of $5bn-plus in the past two years and may well remain in the red in 1992, and the car industry. Here, searing losses have dented corporate liquidity, giving companies another incentive to raise new funds.

Initial public offerings*	
1985	$8.4bn
1986	$18.3bn
1987	$14.5bn
1988	$8.1bn
1989	$6.2bn
1990	$4.6bn
1991	$16.3bn

*Excluding rights offerings and closed end funds

Source: IDD Information Services

Total US equity issues	
1985	$24.7bn
1986	$43.4bn
1987	$41.7bn
1988	$29.8bn
1989	$23.2bn
1990	$19.2bn
1991	$56.0bn

Source: IDD Information Services

The list of major corporations which, for either or both of these reasons, have tapped equity investors is extremely long. Among the most prominent has been General Motors, which only last month raised $2.14bn (before expenses). This was the largest stock offering to investors ever seen in US.

In terms of sums raised, nevertheless, it was beaten by the $2.8bn Time Warner rights issue – where the company's existing shareholders were invited to subscribe for new shares. Rights issues are rare in the US, and Time Warner's first proposal – which incorporated a sliding subscription price depending upon shareholder demand – had to be scrapped after it was deemed coercive. A conventional fixed price offering was scheduled instead.

That has not been the only investment banking innovation to hit the market in the past 12 months – although some "new products" have been more warmly received. A good deal of publicity, for example, has attached to "Percs" – a type of quasi-equity developed by Morgan Stanley.

Percs – the name stands for preferred equity redemption cumulative stock – are sold at the market price of the common stock, and are mandatorily convertible at the end of three years. They pay a higher dividend than ordinary shares, but the amount of capital appreciation which holders can enjoy is capped, usually at 30 per cent.

In short, for issuers they are less dilutive, although higher-yielding, than common stock; for investors, there is a better income flow, but capital gain is pegged. RJR Nabisco – which has been steadily restructuring its balance sheet since the $25bn buyout – took advantage of this hybrid in significant fashion, as did General Motors and K Mart.

Flotation candidates still hope to catch the boat before it departs

The IPO market has been driven by broadly similar considerations – with a good number of issues being former leveraged buyouts now returning to the public marketplace. This wave has ebbed somewhat in recent weeks and some issues have been cancelled, with fund managers wailing about the amount of prospectus-reading which has been required.

Nevertheless, new potential flotation candidates are still filing with the Securities and Exchange Commission – perhaps in the hope of catching the boat before it departs. At the end of last month, for example, Revlon – taken private by former corporate raider, Mr Ronald Perelman in the 1980s – announced that it was packaging most of its cosmetics business into a new subsidiary and would float a minority interest in this to investors.

In the insurance sector, the Equitable, one of the nation's largest life insurers, filed for a stock offering on the same day. This would allow the insurer to shed its mutual status and turn itself into a shareholder-owned company, raising sorely-needed capital on the way. If the Equitable scheme is successful, some pundits believe that other ailing insurers may follow suit.

This wave of new issues has, of course, meant bumper underwriting fees for Wall Street firms. According to IDD, they posted a 140 per cent increase in aggregate disclosed underwriting fees last year, after a 40 per cent decline in 1990. Total fees amounted to $4.66bn, up from only $1.94bn a year earlier, and just shy of the record $5.04bn seen in 1986.

Fees from underwriting debt securities rose from $806.3m to $1.32bn, but the increase on the equity front was even more marked. Underwriting fees from common stock issues nearly trebled, from $1.05bn to $2.85bn, while fees from preferred stock issues increased from $66.2m to $489.4m. The first few months of this year indicate that 1992 could be better still.

THE FIXED INCOME MARKET

The race to take advantage of cheaper credit

AMID THE lowest domestic interest rates in almost 30 years, refunding has been the dominant financial trend in the US economy over the past year and a half.

From a micro to a macro level, from individuals with their mortgages to local governments with their municipal bonds, the race has been on to take advantage of cheaper credit by replacing old, high interest-paying debt, with new, low-interest paying debt.

In the corporate fixed-income market, refundings have run at unprecedented levels for more than a year. Although it is not possible to get exact statistics, industry analysts estimate that 20 per cent of all corporate debt issued in 1991 resulted from companies seeking funds at lower costs than their debt outstanding by calling in their bonds and issuing new, lower-yielding paper. And so far this year, at least 25 per cent of all bonds issued by US companies is estimated to be linked to debt refinancing.

Analysts at the US Securities Industry Association (SIA), have looked at the figures from a broader perspective, by researching the use of proceeds from debt issues. They have calculated that as much as 35 per cent of the new debt issued last year was used to retire outstanding debt, which includes both bonds and other debt such as bank loans.

When combined with issues of new debt, refundings have taken total bond issuance to record levels.

In 1991 the total value of corporate bonds underwritten in the US broke through the $½ trillion barrier, reaching $507bn, a 74 per cent increase on 1990. The vast majority of corporate bonds (almost $300bn) were issued in the form of asset-backed securities (mostly mortgage- and credit card-backed securities), which allow deposit-taking institutions to remove liabilities from their balance sheets and lower their regulatory capital requirements.

The value of the remaining "pure" corporate bonds, meanwhile, reached a record $208bn, almost a third more than the previous record set in 1986.

Although few thought it possible at the end of last year, 1991's record pace of growth is being surpassed. Total corporate debt issuance in the first quarter of 1992 jumped from last year's opening three-monthly record of $135.5bn to $190bn, a 40 per cent rise.

Excluding asset-backed and junk debt, a total of $67bn in investment-grade debt was sold in the first quarter of this year. What set off this landslide of new issues was the Federal Reserve's most recent, and biggest, interest rate cut on December 20 last year. In one month – January 1992 – $35bn in new investment-grade debt was sold.

The majority of new issues has been of investment-grade quality. According to Securities Data, approximately $132bn of the $165bn of corporate issues with a Standard & Poor's rating sold last year came from companies with a A- rating or above. In the first five months of this year, just over $60bn of the $95bn in S&P rated issues had a A- rating or better.

That is not to say that non-investment grade, or junk debt, has languished entirely. Last year $10bn in new junk debt was issued; in the first quarter of this year alone almost $7bn has come to the market.

Although these numbers are well below the $30bn that was issued at the height of the junk bond era in 1986, there has been a revival in interest among investors seeking higher yields.

Other than the size of issues, the main difference in the junk market today compared to the mid-1980s is the type of company selling the paper, and the use the proceeds are being put to. Unlike the industrial giants of the Michael Milken era who leveraged balance sheets to finance acquisitions, today's issuers are smaller, fast-growth companies seeking capital for business expansion. In all respects, therefore, on both the buy and sell side, the junk market is a much more respectable place today than it was six years ago.

The steepness of the yield curve (caused by interest rates falling faster at the short than the long end) has meant maturities on corporate debt have tended toward the medium and short end of the range.

JUNK BONDS		
Year	Issues	Value
1978	107	$ 2.03bn
1979	95	$ 2.77bn
1980	127	$ 4.29bn
1981	105	$ 3.34bn
1982	108	$ 4.5 bn
1983	184	$11.41bn
1984	172	$14.46bn
1985	279	$19.27bn
1986	415	$40.58bn
1987	305	$35.79bn
1988	190	$30.1 bn
1989	169	$27.72bn
1990	32	$ 3.01bn
1991	75	$13.44bn

Source: IDD Information Services

Investment Grade Corporate Debt Issues Excluding asset-backed	
1985	$ 81.36bn
1986	$177.85bn
1987	$171.44bn
1988	$191.38bn
1989	$223.56bn
1990	$249.58bn
1991	$459.2 bn

Source: IDD Information Services

Last year, three-quarters of all new debt was dated between one and 10 years, and the spread of maturities has been much the same so far this year. With interest rates at the long end edging higher as economic activity picks up, this trend is likely to carry on for the rest of the year.

This landslide of new issues was set off by the Federal Reserve's most recent, and biggest, interest rate cut on December 20 last year. In one month – January 1992 – $35bn in new investment-grade debt was sold

In terms of the type of debt issued, innovation has been rare this past 18 months, primarily because with the financial climate so positive, and demand so strong, there has been no need for corporates to package their paper in fancy ways to get it sold. With the straight debt market offering the lowest yields, plain vanilla has been the flavour of choice.

On the demand side, companies have been able to issue new bonds at record levels because the appetites of investors for corporate paper has been almost insatiable, especially in the first quarter of this year. According to the SIA, institutional net purchases of corporate bonds last year more than doubled to $1.96bn a day. In the opening three months of this year, daily purchases reached a staggering $3.6bn.

In fact, so strong was the demand early this year from institutions and bond funds that the huge volume of new bonds was absorbed without spreads widening.

The interest rate environment again favoured corporate issuers. Investors unhappy with the 3 to 4 per cent available in CDs, savings and money market accounts went in search of higher yields. For those which stayed away from equities and governments, corporate bonds were the obvious answer, with bond funds able to offer upwards of 8 per cent, depending on credit quality.

While falling interest rates were a boon to debt-laden and expansion-minded companies, Wall Street's securities houses have had even more reason to rejoice.

After almost half a decade of seeing its underwriting fees decline each year, Wall Street finally hit the jackpot in 1991. Although the bulk of the total $4.66bn of fees earned last year came from stock underwritings, the debt side of the business still brought in a healthy $1.3bn of fees, up 83 per cent on 1990.

Of the securities houses that manage and underwrite corporate bond issues, Goldman Sachs, Merrill Lynch and Morgan Stanley have been the biggest powers on Wall Street, along with Salomon Brothers, the bond giant which has been damaged by the fall-out from the Treasury auction scandal but which has benefited from its strong presence in the asset-backed securitisation business.

The outlook for the corporate fixed-income market is rosy. Interest rates may rise, but it is unlikely (especially in an election year) that they will go much higher, so the growth of interest rate/refunding-driven issues should maintain a decent pace. The economic recovery, meanwhile, is picking up speed, which means more companies will need extra capital to fund expansion and meet increased demand.

Patrick Harverson

Nikki Tait looks at the growth in the use of Chapter 11 protection

The vulture investors make money out of bankruptcies

BIDS ARE out; bankruptcies and restructurings are in. That may be a crude oversimplication of the shift in business trends between the 1980s and 1990s, but it carries a large measure of truth.

For the US investment community – from bankers to lawyers – this sea-change has meant a substantial reallocation of resources. M&A departments have been scaled down, while restructuring teams have been built up. Arbitrage activities have been reduced, while "vulture funds" (which invest in distressed securities or bankrutpcy claims) have been either expanded or launched. And so on.

All of which reflects a bankruptcy process which is substantially different from that generally pertaining in the UK. One of the US's more endearing philosophical commitments is to "the right to a new life" – an axiom which dates back to the Pilgrim Fathers. In the narrow context of corporate affairs, this has evolved into the 1978 US Bankruptcy Code and its "Chapter 11" process.

Very broadly, this allows a company to file for court protection from its creditors. Assuming the courts agree, the company's assets cannot then be seized; the debtor is allowed to suspend certain interest and debt repayments and to cancel certain contracts; legal suits against the debtor can be pursued only as claims through the bankruptcy court.

Once Chapter 11 protection is operative, the debtor and its creditors – who usually form a "committee" to represent often-disparate interests – try to agree on a restructuring plan. This may involve the sale of assets, creating a cash pool which can be used to pay claims, at least in part. But creditors are usually offered some interest in the ongoing business as well.

Reasons for the growth in the usage of Chapter 11 are largely self-evident – the recessionary climate and the large amounts of debt taken on by many US corporations during the 1980s. To a lesser extent, some companies have found the ability to abrogate contracts useful and others – such as Manville – have filed in the face of massive legal claims.

US companies filing under Chapter 11	
1980	6,348
1981	10,041
1982	18,821
1983	20,252
1984	20,252
1985	23,374
1986	24,740
1987	19,901
1988	17,690
1989	18,281
1990	20,783
1991	23,989

Source: American Bankruptcy Institute

The bankruptcy process often looks attractive to non-US observers. After all, jobs are preserved and, in the most successful cases, creditors have enjoyed substantial recoveries. The downside is the time and money which Chapter 11 can eat up; some cases have dragged on for over half a decade, and fees can consume hundred of millions of dollars from the debtor's estate. LTV, the steel company, is a good example: fees are estimated at over $150m during a stay in bankruptcy which has now dragged into its sixth year.

Already, some judges are scrutinising expenses intently – in turn, making bankruptcy work far less lucrative for the professionals than, say, bid activity. In the Southmark case, for example, the judge chopped $3m off a $54m bill. The potentially litigious Drexel bankruptcy, meanwhile, was hassled along by a ruthless octogenarian, Judge Milton Pollack. As a result, the bankruptcy was completed in two years, a time limit few thought possible when the proceedings began.

Suggestions over how the Chapter 11 process might be reformed to reduce time and expense vary widely. However, one commonly voiced notion is to shorten the "exclusivity period" – that is, the window when the debtor has the sole right to produce a reorganisation plan. By giving the creditors an entrée earlier in the proceedings, some lawyers argue, months could be clipped away.

A more controversial "time-saver" is the pre-packaged bankruptcy – used, for example, by Mr Donald Trump with his Taj Mahal casino property. Here, debtors and creditors in effect agree on a restructuring plan before the Chapter 11 filing is made. Chapter 11 is then used to implement the restructuring scheme, and the debtor's stay in bankruptcy is confined to a few months. But it is arguable whether this is how the process was meant to be used.

In some cases, the presence of professional bankruptcy investors can also speed matters along. Since most claims are transferable, "vulture investing" has become a fairly sizeable industry – with players ranging from specialists Mr Michael Price at Mutual Shares and Mr Sam Zell at the Zell/Chilmark funds, to mainstream fund management group T. Rowe Price and to former corporate raider Mr Carl Icahn.

Even Goldman Sachs got in on the act, raising its $783m Water Street fund in 1990, but then aborting the project when conflicts of interest surfaced. Foreign investors have not been bypassed, either: Crédit Lyonnais has backed Apollo Partners, the restructuring business run by Mr Leon Black, formerly an investment banker at Drexel Burnham Lambert. Together, the French bank and Apollo acquired most of the junk holdings of Executive Life, the Californian insurer. The book value of the portfolio was over $5.3bn.

By giving creditors a potential market for their claims, and bringing well-honed negotiating skills to the restructuring process, these investors arguably serve a useful purpose. Final labour negotiations in the long-running Wheeling-Pittsburgh bankruptcy, for example, were oiled by Mr Ron LaBow – who had acquired virtually all the bank claims and stood to become the major equity holder under the steel company's reorganisation plan.

It is not just vulture investors who have been making money out of bankruptcies. Another lucrative spin-off business has been the provision of debtor-in-possession financing. DIP loans are new facilities provided to companies once there have filed for bankruptcy protection. These usually rank at the forefront of the creditors' queue for repayment, should the company be forced to liquidate – so security is relatively good. Yet terms are usually attractive to the lender – earning 2 to 4 per cent above a standard business loan, with perhaps 3 per cent upfront as a fee.

Conversely, it is not the cost of bankruptcies which provokes criticism. The process leaves much to the discretion of judges, and some are felt to be more sympathetic to a debtor's position than others. It has been argued, for example, that this explains a number of filings in Delaware, where there is just one bankruptcy court judge, so the debtor knows at the outset who will be assigned to the case.

Much is left to the discretion of judges, some of whom are more sympathetic to debtors than others

But perhaps the biggest question-mark hanging over the process is its effect on other healthy companies operating in the same sector. By keeping a bankrupt company alive – and, indeed, giving it some operating advantages – industrywide distortions can occur. This has been most marked in the airline industry, where bankrupt carriers have undercut hugely, in a desperate attempt to secure cashflow (regardless of profitability). Some relatively sound airlines have been obliged to match this competitive pricing – and the sector generally has faced a flood of red ink.

Property market and bad debt provisions

Deep hole of over-supply

CALL IT bad timing – or a change in market prospects. This spring, just when Wall Street investors had convinced themselves it was safe to begin building up their shareholdings in major bank stocks, the world's biggest property developer began filing for bankruptcy protection in Canada and the US.

THE LEADING US BANKS						
Bank	Total assets	Total loans	Non-performing loans	US commercial real estate loans	Non-performing real estate loans	Loan loss provision
Citicorp	$216.9bn	$147.64bn	$7.45bn	$12 bn	$4.86bn	$3,890m
Chemical*	$138.9bn	$ 84.24bn	$6.16bn	$8.8 bn	$2.32bn	$1,345m
Bank America†	$115.5bn	$ 86.37bn	$3.08bn	$9.1 bn	$1.42bn	$ 805m
Nationsbank‡	$110.3bn	$ 69.11bn	$2.8 bn	$5.94bn	n.a.	$1,582m
J P Morgan	$103.5bn	$ 27.8 bn	$0.64bn	$0.41bn	n.a.	$ 40m
Chase Manhattan	$ 98.2bn	$ 87.79bn	$4.35bn	$8.6 bn	$3.37bn	$1,065m

*Figures have been restated to show combined data for Chemical Bank and Manufacturers Hanover.
†BankAmerica and Security Pacific have not stated pro-forma 1991 results. The merged bank will rank as the second largest commercial bank.
‡Figures have been restated to show combined data for both NCNB and C&S/Sovran, which merged on December 31 1991 as Nationsbank

Source: Company reports. Research: Rivka Nachoma

The parlous state of Olympia & York has sent a shiver through the US commercial property market. It has also reminded investors that some of the very US commercial banks that had been deemed to be on the recovery path might still face substantial bad debt provisions and loan write-offs from their property loan portfolios.

In the same week last month that saw Olympia & York place its Canary Wharf project into administration in London, a couple of gloomy analyst reports in New York warned that bankers might yet suffer more pain from the continuing US commercial property slump.

The commercial property team at Salomon Brothers in New York said the stage was set for "a modest, but painful recovery" in the US office market. But noting that the market presently faced a glut of supply equal to 12 years of available office space, Salomon argued that the property market "is so deep in the hole of over-supply that it will take many years to climb out".

If there were any doubts as to the possible implications of this gloomy outlook, Standard & Poor's, the US credit rating agency, spelt out the bad news. Calling the Olympia & York bankruptcy filings "a vivid confirmation" that property markets had not truly begun to recover or stabilise, S&P warned that the problem loan work-out period would be protracted and that the losses for banks would "have a long tail, reaching substantially higher levels than they have to date".

Ms Tanya Azarchs, the S&P banking analyst, declared that bad debt provisions as of late May were not yet adequate to cover expected losses on property loan portfolios at many banks in the US. She added that while additional reserve requirements generally appeared to be manageable, the overhang of losses would continue to be a significant drain on banking sector earnings over the next few years.

This situation, S&P explained, would probably delay ratings increases for many in the banking industry. That, in turn, could hamper the ability of some US banks to raise cash by way of new securities offerings, especially if such lower-rated banks were competing on the world capital markets against higher-rated foreign banks such as Deutsche Bank, the German powerhouse.

The S&P analysis was termed over-pessimistic by some, but it came less than three months after the top executives at Citicorp, Chemical and Chase Manhattan all said they expected their 1992 bad debt provisions to be at about the same levels as last year, mainly because of the depressed US commercial property sector.

By the middle of April, as a number of banks reported a recovery in first quarter earnings, market sentiment became somewhat more bullish again. After all, the Federal Reserve had acted to lower interest rates and to ease the reserve requirements in order to help banks strengthen capital ratios.

But the message from the property market in recent weeks has been that the situation could deteriorate again.

Mr George Salem, a banking analyst at Prudential Securities, recently recommended that investors sell their stock in BankAmerica, Wells Fargo, Citicorp and First Chicago; in each case Mr Salem's concerns about commercial property loan losses was a motivating factor.

Mr David Shulman, a managing director of Salomon Brothers, went even further than Standard & Poor's: "I don't think the reserves for non-performing commercial real estate assets are sufficient at many banks. I think eventual write-offs at some institutions could range between 30 and 50 per cent of the outstandings."

Yet investors on the New York Stock Exchange have been returning to bank shares at a consistent pace in recent months, assuming the worst is over and buying stock at reduced prices. But Mr Shulman says: "The stock market is viewing the property issue as last year's problem. I think the stock market has got it wrong."

Commercial property loan exposure is the single most important issue that could influence the earnings and stock market performances of US banks. And there are a series of other factors that will be watched closely in coming months.

Congress failed last year to approve bank reform legislation that would allow interstate branching, a move that could help reduce administrative overheads and other costs. But few expect such legislation to come up for consideration until after November's presidential election.

The infamous "credit crunch" – the period over the past 18 months during which bankers have been accused of refusing to make many new loans to commerce and industry – seems to be over. But loan demand remains extremely weak in many parts of the US. Healthy demand for loans may not return until much later in the economic recovery cycle.

Mergers between sizeable institutions got under way in earnest last year, with three big combinations – BankAmerica and Security Pacific, Manufacturers Hanover Trust and Chemical Bank and NCNB and C & S/Sovran – helping to consolidate the industry.

This year has seen a rash of smaller deals, including two $1bn takeovers by regional banks such as Banc One of Ohio and Barnett of Florida. But the industry still needs more mergers if it is to continue to rationalise across the national market.

Capital ratios, which were criticised by regulators two years ago as being inadequate at many banks, are being strengthened, with some exceptions. But more big property loan write-offs could affect the speed with which banks carry on bolstering their capital bases.

Looking ahead, it appears that the US commercial banking industry may slog through a problematic 1992. The worst of the industry's crisis may well be over, but there is still the prospect of unpleasant surprises.

Alan Friedman

Barbara Durr looks at the prospects for the country's futures industry

A shrinking share of a larger pie

THE US futures industry, *once* a magical beanstock of growth and a honey-pot for risk-craving traders, is facing a far less dazzlingly profitable maturity.

Fast-paced growth is now the *province* of newer, overseas exchanges. And as US futures markets have become larger and more liquid and competition has increased for client business, the bid-ask spreads that make trader's profits have slimmed and so have the fees for client transactions.

A consensus has grown that the days of fat windfalls, turning ex-taxi driver traders into overnight millionaires, are over in the US. Simply winning returns better than the Standard & Poor's 500 is regarded as success these days.

But, if it has lost a bit of its rude gleam, the US industry has benefited at the same time. It has made progress in shedding its poor image as a crap shoot and establishing futures as a legitimate part of virtually every large investor's portfolio.

Moreover, it still has a number of innovative tricks up its sleeve. For instance, Chicago, with the world's two largest exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange, has been home to the greatest *innovations in the industry* – the creation of financial contracts based on US government bonds (the most actively traded futures in the world), stock indices and currencies – and remains the best laboratory for new concepts in futures.

This year, for example, the CBOT is launching insurance futures and hopes to start a new pollution permits contract next year.

Whatever the fate of those contracts, the US is likely to continue to be the centre of *futures innovation* because *"you need big* markets to initiate new products," says Mr Jack Wing, chief executive officer of Chicago Corp, a large futures brokerage.

Nevertheless, the US futures industry is vexed that its worldwide market share has continued to shrink as new foreign exchanges have mushroomed. Although it thoroughly dominated futures trading around the globe a decade ago, it claimed just 53.2 per cent of total volume last year.

The American industry as a whole has not enjoyed double digit annual growth since 1987, when trading volume shot up 24.2 per cent. "It's a mature business here and we're not going to see growth like the 1980s," says Mr John Damgard, president of the US Futures Industry Association.

According to the FIA's figures, last year for the first time since 1968, America's 11 exchanges suffered a decline in trading. Volume fell in 1991 by 4.93 per cent.

By comparison, futures trading volume *at the Marche a Terme International de* France (Matif) grew last year by 32 per cent, at the London International Financial Futures Exchange (Liffe) by 13 per cent and at the Osaka Securities Exchange by 47 per cent.

A renewed upswing of 15 per cent in trading volume on American exchanges from January to April this year promises to deliver at least single-digit annual growth again. But the long-term trend of a smaller piece of a much larger international futures pie, given the proliferation of futures exchanges, is unlikely to be reversed.

Just as mutual funds have come to play a major role in the stock markets, managed futures funds, currently holding an estimated $21bn, are increasingly important in futures markets. Futures have become very much a professionals market, with retail business accounting for only an estimated 3 per cent of trading

While the exchanges themselves are most hurt by the diminished market share, large US-based futures traders welcome the overseas markets. They are *willing to trade anywhere and the new* markets offer them more diversity of product and trading environments that are less restrictive than the US.

For the moment, most products on *foreign exchanges are not competing* head to head with those on US exchanges. They tend to be indigenous, with a firmer local than global market, though an internationalisation has already begun to occur in Europe and could hasten as the Community's integration progresses. Thus, for instance, Liffe has contracts on both the Italian and German governments' bonds and trades the US government bond as well.

One remedy to boost volume for the US exchanges is the advent of round-the-clock trading, which they will pioneer with the *electronic system known as Globex.* Long-awaited, and with its start postponed successively for three years, Globex is due to be launched on June 25. Developed jointly by the Chicago Mercantile *Exchange, the CBOT and Reuters,* the system could mean that those contracts it lists will benefit in trading volume from giving off-hour access to traders around the globe.

So far, select products from the two Chicago exchanges and Matif, Globex's only international partner exchange, are to be listed. This year, the CME's currency, Eurodollar and one-month Libor contracts and the CBOT's Treasury bond and two-, five- and 10-year treasury notes contracts will be listed, followed by Matif's 10-year Notional bond, seven-year Ecu interest rate, three-month Pibor rate and CAC-40 stock index contracts.

Four New York exchanges have agreed in principle to join the system, though final approval of their affiliation is still being worked out.

Beyond bringing a rise in volume, the Globex system is also widely considered a possible harbinger of the industry's likely electronic future. Though many exchanges, even some of the newest, believe firmly in open outcry pit trading as the best, most efficient style, screen trading seems to be exerting a strong undertow on this orthodoxy.

The shape of the markets over this decade will also continue to be deeply *affected by the entry of large institutional* players. Since the early 1980s, this trend has been gathering steam. Every large Wall Street investment bank and stock brokerage now has a futures arm of some *sort.*

Just as mutual funds have come to play a major role in the stock markets, managed futures funds, currently holding an estimated $21bn, are increasingly *important in futures markets.* Futures have become very much a professionals market, with retail business accounting for only an estimated 3 per cent of trading.

Many in the industry who have come out of the equities business have a strong sense of *deja vu.* Mr Wing, for example, says: "One is struck by the similarities." This in itself is testimony to how mainstream the futures business has become. One veteran futures hand, pining for the salad days, recently complained that big institutional traders "have gotten a taste of being part of the establishment and now they're a stuffy, co-opted conservative bunch."

Stock exchanges are locked in battle

The competitive edge

A LONDON-based representative *of one of the biggest US* stock exchanges says that many of the UK and continental companies he visits are amazed to learn that there are competing *stock* exchanges in the US.

Most countries in Europe and south-east Asia have just one stock exchange, perhaps backed up by a few regional exchanges that *service* local business communities. In the US, however, competition among exchanges has never been more intense than today.

The New York Stock Exchange (NYSE) and the American Stock Exchange (ASE), headquartered in downtown Manhattan, are the oldest *forums for trading equities* in the US. Over the decades, they have been supplemented by regional exchanges, such as the Pacific Stock Exchange in San Francisco.

In the last two decades, however, the floor-based exchanges have seen their position undermined. The NYSE has lost large chunks of its market share in the past decade.

In 1981 more than 75 per cent of the trading in all US stocks was handled by the NYSE. By last year, that share had dropped to not much more than half, with overseas markets (mostly London); the regional exchanges, the Nasdaq electronic market run by *the National Association of* Securities Dealers (NASD), and various off-exchange trading systems stealing the rest.

The NYSE's share has been eroded because the nature of securities trading in the US is changing as technological development and increasing emphasis on cutting transaction costs refocuses attitudes to stock markets.

The NYSE's main rival is Nasdaq. Unlike the NYSE, which relies on customer order flow to establish prices, Nasdaq is a dealer-driven market where market-makers list prices on computer screens at which they are willing to buy and sell stocks.

Because *dealers* can trade NYSE-listed stocks on Nasdaq, the NYSE *has lost business to* the electronic market. Investors (or their brokers) have a choice between trading NYSE stocks on the Big Board with its order-driven pricing mechanism and floor-based trading system, or doing business via marketmakers on Nasdaq, which claims *to execute trades* faster and at a lower cost.

Over the years, a growing number has chosen the Nasdaq *route. In 1981, less than 1* per cent of all trades in NYSE stocks was conducted on Nasdaq. Last year, that figure had jumped to almost 10 per cent.

Nasdaq is not alone in fighting for NYSE business. Bernard Madoff Investment Securities, a New York-based Nasdaq dealing firm, has used computer technology and trading know-how to build a profitable business persuading broking firms to route their customers' buy and sell orders through its automated trading system.

Madoff offers a form of refund to broking firms that direct business its way. In effect, the company pays brokers for any business they bring in.

This way of attracting order flow is used by the regional US exchanges, which also compete for NYSE business. The Pacific and the Midwest Stock Exchange have also moved from eliminating commissions on order execution to pay brokers to bypass the Big Board.

The spreads are likely to be wider, so investors get a worse deal than on floor-based exchanges

While over-the-counter systems like Nasdaq and Madoff represent what is *known as the "third market"* (the NYSE and the ASE are the "first market", and the regional exchanges the "second market"), the development of computerised off-exchange trading systems over the past decade has created extra competition – a "fourth market".

The fourth market systems dispense with dealer intermediaries altogether, providing institutions with an electronic forum where they can deal directly with each other.

The best known of these crossing networks are Instinet, run by Reuters, POSIT, which is owned by West Coast broking house Jeffries, and Spaworks, a trading system set up by a former Kidder Peabody trader, that now operates under the name of the Arizona Stock Exchange.

All three allow institutional users to post buy and sell orders on screen, with orders matched and executed electronically by the system's computers at the end of specified trading sessions.

The fourth market systems are popular with investors. They are cheaper for big institutions than trading through *an NYSE specialist and offer* a greater degree of anonymity.

Both third and fourth markets have their flaws, however. They lack liquidity, especially at times of crisis. Complaints were made after the 1987 October crash that some marketmakers on Nasdaq's computer system did not answer telephone calls because they were reluctant to trade in the middle of a chaotic market. (The NASD now says a marketmaker will always be available to trade a stock, no matter what the market condition.)

As a result, the spreads between buy and sell prices on third market networks or fourth market systems are *likely to be wider, which* means investors get a worse deal than on floor-based exchanges.

The crossing networks, meanwhile, have been criticised for their lack of speed in trade execution. Because of the way the systems are set up, investors' orders are filled only if there are similar-sized and priced orders on the other side of the transaction, and only then at one of the various crossing sessions. If investors want to react quickly to news, they have to go back to the OTC markets or big exchanges.

There is a final element of competition – the fight for listings between the NYSE, the *ASE and Nasdaq. Generally,* Nasdaq is known as the market for small, fast-growth companies seeking their first quotation. The ASE specialises in mid-capitalisation, solid-growth stocks, while the NYSE is seen as the market most companies aspire to be listed on when they grow big enough.

That hierarchy, however, is being challenged. Nasdaq has persuaded some well-known big companies not to upgrade to the NYSE. Thus, Apple and Microsoft stick to Nasdaq *because of its long association* with hi-tech companies.

The ASE is fighting for Nasdaq's turf by offering a listing for very small companies, an incubator market known as the Emerging Companies Market. The NYSE, which still attracts the bulk of the big new listings, has focused its attention on attracting foreign companies. But its ambitions to be the first true global exchange are blocked by strict US reporting regulations which dissuade many big foreign corporations *from seeking a US listing.*

Patrick Harverson

Karen Zagor examines the role of asset-backed debt

Move to ease securities rules

A RECENT proposal by the Securities and Exchange Commission, the US securities watchdog agency, to loosen the rules governing the issuance of asset-backed securities may prove a welcome boost to the industry in what promises otherwise to be a static year.

The SEC proposal would exempt issuers of the debt from provisions of the Investment Company Act of 1940 which regulates mutual funds in the US, thereby opening the field to a wider range of asset categories so long as they remain within the bounds of structured transactions and receive one of the top two investment grades from a rating agency.

At present, *home* mortgage-backed and auto-loan backed bonds are exempt from the mutual fund *regulations,* but junk bonds, backed by more general loans and some forms of credit-card receivables, are still subject to the mutual *fund rules. The result is* a cumbersome process where issuers must apply for an exemption to the mutual fund rules for each issue.

The SEC's proposal, which is likely to stimulate volume and broaden the market, comes at a time when growth in asset-backed issuances has slowed to a virtual crawl after several boom years. The total amount of asset-backed debt issued, excluding mortgage-backed securities, stood at only $1.23bn in 1985. Between 1989 and 1990 the amount nearly doubled to $40.08bn, but grew only 17 per cent to $46.97bn in 1991 and is expected to remain fairly static in the coming year at about $50bn.

"Re-offer spreads are at the tightest levels they have ever been"

Mortgage-backed securities, by far the biggest sector of the asset-backed securities business, saw volume nearly triple in the first quarter of this year to $101bn, thanks to a sharp drop in long-term interest rates which *spurred a wave of* mortgage-refinancing. Volume, however, is expected to taper off as long-term interest rates pick up. Players expect continued growth in commercial and multi-family deals from the Resolution Trust Corporation and other sources, however, through the year.

In the credit card-backed securities arena, traditionally the most important component of the (non-mortgage) asset-backed securities business, volume slowed in the first quarter of this year and the pace is not expected to pick up significantly during 1992.

Mr Jack Ross, director and *co-head of Merrill Lynch's* Asset Backed Securities group, the biggest on Wall Street followed by First Boston, cites a number of factors behind the slowdown in supply.

Credit card volume is down for three reasons, according to Mr Ross. "Firstly, the banks are faring better and have the equity market available to shore up capital. Secondly, we haven't seen as many credit card asset-backed deals come due this year, so refinancing volume is not great. And *thirdly,* with the recession portfolios are shrinking rather than growing, so there are fewer assets to securitise."

Indeed, one of the most *important factors in the asset-*backed market's growth during 1990-91 was the relative illiquidity of US banks, when many had trouble meeting capital standards and turned to off-balance sheet financing.

One of the biggest areas of activity in the past year was in auto receivables-backed securities. In addition, new areas to securitise have also helped shore up volume, such as *leases,* trade *receivables* and commercial loans. Mr Ross says: "In the auto sector not only have we seen consumer loans or retail paper securit*ised, we are now seeing* wholesale paper being securitised with a structure similar to credit card-backed deals."

Asset-backed debt issues* ($bn)	
1985	1.23
1986	10.00
1987	9.83
1988	15.30
1989	23.43
1990	40.08
1991	46.97

*Does not include mortgage-backed securities, which would bring 1991 total to $300bn.

Source: IDD Information Services

In spite of the fall in credit card business, participants are still enthusiastic, in part because spreads are tightening. "Re-offer spreads are at the tightest levels they have ever been," says Mr Ross.

Merrill recently did a $500m MBNA credit card deal priced at a spread of 55 basis points over the treasury's five-year note. The issue was able to command an impressive spread partly because of the strength of the MBNA name, since the Delaware-based business is one of the top US credit-card issuers.

In addition, Mr Ross believes investors have been impressed by the ability of credit-card backed portfolios, in general, to withstand *increased consumer losses* during the recession. "They're not getting the downgrades or early calls so investors are willing to buy at tighter lev*els," he says.*

Also contributing to the tighter spreads is the renewed strength of the corporate market. "Our spreads move in sympathy with the corporate market as we are a corporate bond alternative," says Mr Ross.

The improvement in spreads is all the sweeter because of *the comparison with a difficult* fourth quarter last year, when spreads started to widen amid fears that pending legislation to cap credit card interest rates at 14 per cent would threaten the future of this part of the market. But the proposed legislation came to nothing and some of the major issuers, including Citibank and American Express, have now tiered their portfolios, bringing down the rates for better borrowers.

With the market now maturing, *last year asset-backed* securities accounted for 25 per cent of the corporate bond market. And while they may not be able to command a sim*ilar share of the market this* year, they have now become almost as mainstream as general debt or equity financing in the capital markets arena.

"The asset mix may change from year to year," says Mr Ross, "but asset-backed securities have proved themselves as a product that is here to stay."

MERGERS AND ACQUISITIONS

Steady stream of smaller deals

TAKEOVER ACTIVITY in the US is sharply lower than in the boom days of the late-1980s, and has changed *substantially* in character, with relatively few blockbuster deals but a steady stream of much smaller acquisitions and disposals.

In 1991, deals worth $116.7bn were completed in the US, down sharply from the $169.4bn of 1990 and the $263.8bn record reached in 1988.

The main reason for the drop is the much less favourable financing climate. Junk bonds, the *main weapon* used to fund bids in the 1980s, have fallen from grace, while the problems of the banking sector mean that borrowing from this quarter to fund *takeovers is* not very easy.

The corporate raiders – financiers backed by junk bonds – who made much of the running during the takeover boom are now largely discredited, while recession has made many corporations concentrate more on the efficient running of their existing operations than indulge in takeovers.

Some large takeovers are still being done, but they tend *to* have particular characteristics:

□ They are agreed, rather than unfriendly. There has not been a large hostile bid in the US for *almost a year.*

□ They tend to be within a sector, rather than across sectoral boundaries, and have a strong industrial logic. They are particularly concentrated in three sectors going through major restructuring – banking, defence and telecommunications.

□ They tend to involve more equity, relative to debt, than deals done in the 1980s, and many of them involve pure swaps of shares in one company for those of another. A recent example is the proposed takeover of Centel, a large Chicago-based local telecommunications company by Sprint, a long-distance carrier, which involves a highly controversial share exchange pitched well below what many analysts think the company is worth.

□ The bid activity is largely domestic. It involves relatively few large US bids for foreign companies and only the occasional foreign bid in the US. British, French and Japanese companies were extremely active in the US takeover market in the late 1980s and the French remained so right up until last year. But now this has slowed to a trickle as their domestic economies have turned down and, in the case of Japan, as they have seen many disappointing results from acquired US operations.

However, there remains a reasonably lively takeover market in relatively small companies – both within the US and across national boundaries. While the value of US deals dropped 31 per cent last year, the number fell by only 19 per cent and at 3,268 was well above the 2,752 recorded in 1988, when the value of bids peaked.

Many companies, moreover, now seem more interested in entering joint ventures, or acquiring a minority stake in a business, than taking on the risks of a full bid straight away.

US Mergers and Acquisitions		
Year	Deals completed	Value ($bn)
1985	1,659	143.55
1986	2,345	209.31
1987	2,307	181.78
1988	2,752	263.78
1989	3,460	256.86
1990	4,040	169.39
1991	3,268	116.74

Source: Securities Data Company

Martin Dickson

LONDON STOCK EXCHANGE

Early advance fades in later trading

By Terry Byland, UK Stock Market Editor

THE MOOD brightened in the UK stock market yesterday morning, but it was soon clear that this was little more than a technical response from an oversold equity sector. The lead, yet again, came from the stock index futures and from a handful of corporate results, but increased market turnover reflected activity in only a very few shares.

London opened lower in the face of Wall Street's weakness overnight but was rescued by a firm opening in the June future on the FT-SE Index. An early loss of more than eight points in the Footsie was quickly converted into a gain of 11.6, with the Index only three points under the 2,650 testing level at mid-session.

Sentiment was also helped by unexpectedly excellent figures from Racal Electronics, which traded very heavily after exceeding the forecasts given at the time of the defence against the bid from Williams Holdings.

Traders stressed that much of the initial recovery reflected the heavily oversold positions detected in the previous session. Once these positions had been resolved, often by way of the stock index futures market, share prices struggled to hold their initial levels.

The market lost heart in the second half of the day and was additionally discouraged by a slow start to the new session on Wall Street, which is still a cause for discomfort in London.

Account Dealing Dates		
First Dealings:		
Jun 1	Jun 15	Jun 29
Option Declarations:		
June 11	Jun 25	Jul 9
Last Dealings:		
Jun 12	Jun 26	Jul 10
Account Day:		
Jun 22	Jul 6	Jul 20

*New-time dealings may take place from 8.30 am two business days earlier.

At the close, the FT-SE Index was only 0.7 higher on the day at 2,636.1, with the 2,650 level still out of reach and the 2,600 mark uncomfortably close. Seaq-reported turnover remained high, although the day's total of 472.5m shares compared with 488.3m in the previous session.

Political factors continued to loom over the UK stock market, with the dangers of further developments on the Maastricht front high on the list of causes for anxiety. Analysts remain relatively confident over the medium term outlook for equities in London but are nervous over the immediate future.

Among banking stocks, Midland edged higher after the London market's success in pre-empting the overnight fall in shares of Hongkong and Shanghai Banking in far eastern securities markets. Lloyds Bank closed a shade easier as investors continued to assess the situation in the light of the bank's withdrawal from the battle for control of Midland. Other banking stocks lacked buyers, reflecting the reduction of bid tensions in the sector.

With the pound still showing little recovery within the ERM range, and the dollar steady, the international blue chips turned in a mixed performance. Oil shares could make little progress against the backcloth of a weak US market, and the pharmaceuticals also lacked thrust.

● The London Stock Exchange announced yesterday that, following the quarterly review of components of the FT-SE 100 Share Index, Carlton Communications, Royal Insurance, and Granada Group will join the Footsie list, with effect from June 22, while Laporte, Eurotunnel and MEPC will will leave the Index list.

Racal strong on results

LONG-STANDING worries that Racal Electronics would not reach the profits forecast of £50m, made at the time of the failed bid by Williams Holdings, were shot to pieces as the group posted profits of £55.6m, compared with a previous year's loss of £21.8m.

The profits were well in excess of the most optimistic forecasts which ranged up to £52m and were accompanied by the expected details of the demerger of the Chubb security business, likely to be floated in October.

Racal shares powered ahead in exceptionally heavy trading, eventually closing a net 5¼ higher at 69¼p. Turnover reached 57m shares, continuing the recent spate of big turnover in the stock.

Smith New Court, Racal's broker, upped its expectation for this year to £110m and for next year to £140m.

Regalian blow

Results from Regalian Properties were regarded as a horror story by the market, with one analyst at a leading investment bank calling the figures "breathtakingly bad". He added that the subsequent meeting with management was "quite aggressive" and that although the company still has some worth, it will have to raise as much cash as possible in the next 12 months to placate its creditors. On Monday Regalian announced it had sold its 10 per cent stake in Frogmore Estates at a loss of around £4m, in order to raise £10.57m and reduce borrowings.

Shares in Regalian lost 7 to 15p after the company reported an annual loss of £26.8m, against a profit of £11.12m, with the auditors qualifying the accounts on the basis that further property provisions may be needed. The company has already made an exceptional provision of £32.91m on property losses, which was much higher than most expectations.

Frogmore showed signs of recovery, after Regalian's 3.9m share placing on Monday, rising 13 to 281p.

Asda active

Turnover in food group Asda was a hefty 10m shares, but the price was unchanged at 33½p. Activity was boosted by encouraging news from furniture retailer MFI, which will unveil plans today to re-launch the company via a stock market flotation.

Asda retained 25 per cent of MFI when the company was acquired from the combined group though a management buy-out in 1987. It is estimated that the flotation will raise between £650m and £850m, but that Asda will not be a long-term shareholder in MFI because of its need to reduce borrowings.

Lasmo wanted

Lasmo outperformed the rest of an otherwise subdued oil sector, responding to a series of positive news.

These included shareholder approval at Lasmo's EGM of the sale of Ultramar assets, encouraging news from the group's drilling operations on Block 16/12a in the North Sea and news that Lasmo shares will be listed on the Montreal and Toronto Stock Exchanges as from June 11.

The shares shares ended the session a net 3 firmer at 197p on turnover of 826,000. They were also helped by a positive note from Hoare Govett, the company's stockbroker. Hoare, which increased its oil price estimate from $18 to $20 a barrel earlier this week, said the market's current rating for Lasmo is "unduly pessimistic and does not take into account its gearing to higher oil prices". Hoare goes on to say that the market ignores the upside potential that could be realised from the rationalisation and integration of Ultramar's upstream assets.

Standard Chartered, 11 higher at 471p, and Royal Bank of Scotland, 3½ firmer at 197½p were prominent in an otherwise quiet banking arena, the former responding to hopes that no further provisons will need to be made against its Indian operations and the latter to lingering takeover speculation.

First National Finance shares plunged 11 to 64p, responding to publicity given to a bearish note issued by BZW.

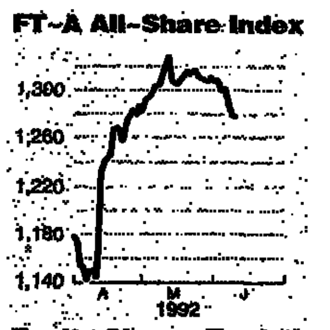
London & Manchester's shift in accounting policy triggeredanother strong rise by life stocks. Refuge were 23 higher at 728p; the Stock Exchange announced late yesterday that a reported trade of 5.5m shares carried out at 705p, printed on the Seaq ticker on Tuesday, was incorrect and should have read as 5,500 shares.

A flurry of switching out of BP and into British Gas left the former 1½ off at 273p and the latter the same amount firmer at 252p. Turnover in BP was showing signs of expanding sharply after Moody's, the US debt rating agency confirmed, it had downgraded its rating of BP debt.

Shares in Dowty Group, moved swiftly forward after the aerospace and information technology company finally succumbed to the hostile bid from specialist engineering group TI.

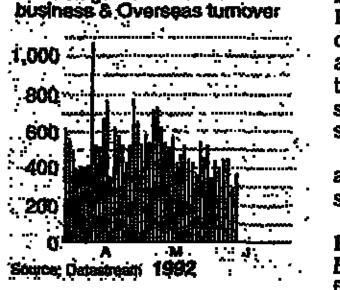
The shares jumped 12 to close at 187p, the level of the paper offer from TI as turnover rose to a hefty 6.4m after several investors took the view that buying Dowty was the cheap way into TI.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover



Source: Datastream

It was announced after the market close that the aggressor had obtained a total of 60.23 per cent acceptances, a closer finish to the contest than many city analysts had predicted. Last week SG Warburg swept into the market to pick up around 10 per cent of Dowty's shares.

The new group will be the second largest engineering concern in the market, behind British Aerospace and is likely to become a FT-SE constituent in the near future. TI edged a penny forward to 353p.

Sears was the worst performing Footsie stock, losing 5½ to 86p, as 8.8m shares changed hands. Suggestions that UBS Phillips and Drew had trimmed its dividend and profits forecast hit the price, with stores analysts noting increased doubts about the maintenance of the dividend since publication of Sears results on May 7.

Northern Foods fulfilled the markets hopes, turning in slightly better than expected profits of £126.2m, against £105.4m previously. Mr Tim Potter at Smith New Court described it as a good, if well anticipated, performance, with the proposal of a one-for-one scrip issue as an additional sweetener.

The shares rose 14 to 605p on above average turnover of 1.7m shares.

In transports, a squeeze sent BAA forward to add 19 to 695p. Broker Williams de Broe favours the stock and Mr Andy Darke at the broker said: "The stock is still cheap relative to the market. This is the core holding in the transport sector." Fears of tougher competition on the north Atlantic route left British Airways 8 lighter at 269p.

MARKET REPORTERS:
Steve Thompson
Joel Kibazo,
Colin Millham.

■ Other market statistics, Page 21.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (48).
BRITISH FUNDS (1) Treas 2pc IL '94, BREWERS (1) Mansfield, BUSINESS SERVS (3) Penna, Reed Executive, Warner Howard, CONGLOMERATES (1) Jardine, CONTG & CONSTRCN (3) Ball (AH), Boot (H), Rubicon, ELECTRICALS (1) Ericsson, ELECTRONICS (3) Admiral, Gresham Telecomputing, Racal, ENG AERO (1) Dowty, ENG GEN (3) Hill & Smith, Plasmec, Vosper, FOOD MANUF (2) Booker, Goodman Fielder Wattie, HEALTH & HSEHOLD (1) Amersham Intl, INSCE LIFE (3) Britannic, Refuge, Utd Friendly B, INV TRUSTS (2) Grahams Rintoul, Throgmorton USM, MEDIA (1) Aegis 9¼pc Pf, MISC (4) Airsprung Furniture, Danka, Faber Prest, Stag Furniture, MOTORS (1) Quicks, OTHER FINCL (1) Jardine Strategic, PACKG, PAPER & PRINTG (1) Usher-Walker, STORES (1) Oriflame Intl, TEXTS (1) Celestion, TRANSPORT (3) BAA, Dawsongroup, P & O 5½pc Pfd, WATER (1) Mid Kent, MINES (1) Melinga.
NEW LOWS (58).
OTHER FIXED INTEREST (1) Ireland Cap 8½ Ln 2010, AMERICANS (3) Gillette, Merrill Lynch, Morris (Philip), CANADIANS (3) BCE, Hawker Siddeley, Royal Bank Canada, BANKS (2) Mitsui T & B, Westpac, BLDG MATLS (1) Explaura, CHEMS (1) Schering, ELECTRICALS (1) Molynx, ENG GEN (2) Haden MacLellan, Kvaerner, FOOD MANUF (1) Perkins, HEALTH & HSEHOLD (3) Hospital Corp, Huntingdon, Wellcome, INSCE COMPOSITE (4) Baltica, Hafnia, Skandia, Topdanmark, INV TRUSTS (8) Abtrust Pkl Inc, Drayton Korea, F & C German Wts, Fleming Intl High Inc, Kleinwort O'seas, Overseas, Selective Assets, Sphere, MEDIA (2) Sunset & Vine, Trillon, MISC (3) Bullers, Dudley Jenkins, Lionheart, OIL & GAS (3) Conroy, Global Natural Res, Intl Petroleum, OTHER FINCL (2) Bancaire Cie, Mitsubishi, PROP (4) Bolton, Chesterfield, Frogmore Ests, Regalian, STORES (4) Austin Reed, French Connection, Ratners, Sears, TEXTS (1) Pepe, TRANSPORT (2) Cons Freightways, Ocean, MINES (6) Central Pacific, ERGO, Ivernia West, Kalls Mins, PosGold, Precious Metals Australia, Southvaal, Western Areas.

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday June 10 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jun 9 Index No.	Mon Jun 8 Index No.	Fri Jun 5 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (179)	873.84	....	6.74	5.34	19.35	15.19	873.38	877.86	885.46	834.65
2	Building Materials (22)	998.31	-0.5	5.44	5.96	25.54	19.03	1002.98	1006.79	1016.27	1064.98
3	Contracting, Construction (28)	948.99	-0.6	3.75	6.36	56.57	24.60	954.71	969.54	979.56	1298.45
4	Electricals (8)	2650.48	+0.3	6.50	5.82	19.98	68.82	2642.94	2658.89	2669.04	2402.85
5	Electronics (29)	1994.85	+1.0	8.98	4.26	14.11	7.29	1975.42	1988.17	1982.26	1735.37
6	Engineering-Aerospace (7)	382.27	+0.9	9.09	6.79	14.02	11.16	378.90	378.52	383.87	425.05
7	Engineering-General (44)	554.41	-0.2	7.60	4.31	16.35	8.24	555.26	557.61	564.12	449.40
8	Metals and Metal Forming (8)	348.72	-2.4	0.88	9.90	-	2.03	357.30	358.42	361.64	463.48
9	Motors (14)	375.48	+0.2	7.07	6.26	18.60	10.04	374.55	375.67	384.40	329.48
10	*Other Industrial Materials (19)*	1794.94	+0.2	6.90	4.62	17.46	33.79	1790.61	1800.27	1815.63	1529.13
21	CONSUMER GROUP (188)	1690.63	+0.2	7.21	3.41	17.01	20.48	1687.37	1689.94	1700.70	1481.73
22	Brewers and Distillers (24)	2178.92	+0.4	7.70	3.40	15.61	26.21	2170.91	2178.39	2187.67	1833.86
25	Food Manufacturing (17)	1285.31	+0.5	8.32	4.09	14.89	21.18	1278.72	1276.74	1279.00	1168.36
26	Food Retailing (18)	2894.84	-0.4	8.43	3.15	15.40	34.95	2905.08	2911.54	2916.71	2739.50
27	Health and Household (24)	4056.94	+0.5	6.80	2.61	16.77	35.91	4035.45	4044.64	4082.44	3490.67
29	Hotels and Leisure (20)	1373.07	-0.2	5.76	4.93	22.48	23.50	1376.03	1376.33	1389.31	1301.81
30	Media (25)	1618.74	....	6.03	3.45	20.66	18.30	1618.66	1621.71	1634.10	1435.25
31	Packaging, Paper & Printing (17)	832.60	+0.2	6.23	3.97	19.52	11.84	830.60	835.37	842.56	697.63
34	Stores (33)	1065.83	-0.1	7.18	3.47	18.40	12.26	1066.98	1065.63	1075.05	915.05
35	Textiles (10)	722.90	-0.6	6.35	4.30	19.86	12.44	727.53	729.87	731.63	559.95
40	OTHER GROUPS (116)	1303.65	-0.3	9.47	5.02	13.20	17.76	1307.07	1318.42	1329.75	1236.99
41	Business Services (17)	1446.60	-0.5	6.75	4.40	18.67	15.14	1453.16	1461.72	1491.39	1214.82
42	Chemicals (22)	1534.44	-0.1	6.96	4.76	17.63	31.75	1536.64	1535.88	1553.37	1384.77
43	Conglomerates (11)	1364.19	+0.7	9.47	6.96	13.19	23.62	1354.31	1371.68	1397.93	1488.55
44	Transport (14)	2662.17	+0.3	7.63	4.40	15.92	40.88	2654.44	2671.15	2675.40	2218.18
45	Electricity (16)	1311.12	-0.5	13.60	5.08	9.36	17.21	1318.26	1327.89	1337.99	1207.90
46	Telephone Networks(4)	1434.79	-0.6	10.68	4.56	12.22	16.02	1443.13	1471.50	1480.39	1489.27
47	Water(10)	2834.35	-0.9	15.26	5.83	7.25	19.52	2860.11	2890.98	2901.83	2376.71
48	Miscellaneous (22)	2064.25	-0.4	5.71	4.78	23.13	22.54	2072.29	2069.47	2079.58	1920.03
49	INDUSTRIAL GROUP (483)	1365.15	....	7.83	4.28	15.93	18.51	1364.83	1370.91	1381.19	1247.12
51	Oil & Gas (17)	2161.93	-0.4	7.01	6.58	18.73	63.69	2170.05	2181.59	2196.82	2378.93
59	500 SHARE INDEX (500)	1439.59	....	7.75	4.52	16.18	21.93	1439.85	1446.39	1457.16	1343.78
61	FINANCIAL GROUP (86)	767.74	+0.1	-	5.91	-	19.04	766.88	765.00	776.45	793.26
62	Banks (9)	972.93	+0.1	4.96	5.61	31.91	24.58	971.50	975.40	1002.12	888.09
65	Insurance (Life) (6)	1577.84	+2.0	-	5.64	-	44.26	1547.60	1495.89	1491.58	1487.97
66	Insurance (Composite) (7)	542.61	-1.2	-	6.41	-	13.46	549.37	540.44	544.29	657.96
67	Insurance (Brokers) (10)	954.19	+0.1	8.14	6.84	16.17	25.92	952.93	957.64	970.06	1119.96
68	Merchant Banks (7)	514.80	+0.1	-	4.20	-	8.56	514.31	514.26	515.05	428.07
69	Property (32)	668.10	+0.1	8.78	6.84	15.43	16.55	667.48	678.61	680.14	939.17
70	*Other Financial (15)*	259.31	-1.1	7.02	6.71	19.33	4.34	262.26	263.74	266.36	281.24
71	Investment Trusts (69)	1213.58	-0.3	-	3.70	-	16.78	1217.75	1223.50	1237.03	1214.60
99	ALL-SHARE INDEX (655)	1278.43	....	-	4.66	-	20.88	1278.56	1283.32	1294.13	1210.86

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 9	Jun 8	Jun 5	Jun 4	Jun 3	Year ago
FT-SE 100 SHARE INDEX‡	2636.1	+0.7	2647.0	2627.1	2635.4	2645.8	2668.5	2681.9	2680.9	2520.2

FIXED INTEREST

	PRICE INDICES	Wed Jun 10	Day's change %	Tue Jun 9	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (25)	123.20	+0.06	123.13	2.70	4.85
2	5-15 years (24)	138.37	+0.14	138.19	2.38	6.12
3	Over 15 years (10)	148.40	+0.13	148.21	1.11	6.06
4	Irredeemables (6)	165.06	+0.02	165.02	1.39	6.35
5	All stocks (65)	135.99	+0.11	135.85	2.36	5.79
	Index-Linked					
6	*Up to 5 years (2)*	173.06	....	173.05	0.74	1.83
7	Over 5 years (9)	153.17	+0.01	153.32	1.12	1.80
8	All stocks (11)	154.73	+0.01	154.85	1.06	1.79
9	Debs & Loans (63)	120.43	-0.19	120.65	2.09	5.48

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 10	Tue Jun 9	Year ago (approx.)
	British Government				
1	Low	5 years	8.12	8.14	8.97
2	Coupons	15 years	8.98	9.00	10.11
3	(0%-7¾%)	20 years	8.99	9.00	10.11
4	Medium	5 years	9.23	9.25	10.46
5	Coupons	15 years	9.08	9.09	10.37
6	(8%-10¾%)	20 years	9.05	9.06	10.28
7	High	5 years	9.44	9.46	10.63
8	Coupons	15 years	9.28	9.29	10.53
9	(11%-)	20 years	9.22	9.23	10.40
10	Irredeemables	†	9.22	9.22	10.27
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.98	3.97	4.33
12	*Inflation rate 5%*	*Over 5 yrs.*	*4.33*	*4.33*	*4.30*
13	Inflation rate 10%	Up to 5 yrs.	3.30	3.29	3.48
14	Inflation rate 10%	Over 5 yrs.	4.16	4.16	4.12
15	Debs &	5 years	10.52	10.49	11.91
16	Loans	15 years	10.35	10.32	11.70
17		25 years	10.24	10.21	11.52

‡Opening index 2627.1; 9 am 2632.7; 10 am 2639.9; 11 am 2646.9; Noon 2646.7; 1 pm 2645.9; 2 pm 2642.0; 2.30 pm 2639.7; 3 pm 2638.5; 4.10 pm 2636.7; (a) 11.07am (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

FINANCIAL TIMES STOCK INDICES

	June 10	June 9	June 8	June 5	June 4	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	88.83	88.60	88.70	88.86	88.90	83.93	89.82 (29/5)	86.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.49	104.53	104.63	105.07	105.01	92.94	105.82 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	2057.3	2056.6	2057.3	2077.4	2092.6	1991.1	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	103.6	104.7	105.5	104.9	107.3	209.1	160.6 (10/1)	103.6 (10/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2636.1	2635.4	2645.8	2668.5	2681.9	2542.8	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1218.14	1218.45	1222.98†	1228.02	1231.36	1190.90	1248.79 (11/5)	1130.52 (8/1)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.50	4.51	4.49	4.46	4.42	4.79				
●Earning Yld %(full)	6.59	6.60	6.58	6.52	6.47	8.48				
●P/E Ratio(Net)(☆)	18.99	18.97	19.01	19.19	19.34	14.55				
SEAQ Bargns 5.00pm	22,156	22,902	22,545	24,699	21,177	26,992				
Equity Turnover(£m)†	-	1010.5	772.6	1178.5	1079.1	1272.60				
Equity Bargains†	-	24,641	25,367	27,135	24,265	28,436				
Shares Traded (ml)†	-	384.9	297.9	452.8	447.5	451.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 ☆ Nil 17.82‡ Partial.

Ordinary Share Index, Hourly changes Day's High 2066.0 Day's Low 2050.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2050.3	2053.9	2058.2	2065.1	2065.5	2064.9	2061.5	2059.8	2056.9

FT-SE 100, Hourly changes Day's High 2647.0 Day's Low 2627.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2627.1	2632.7	2639.9	2646.9	2646.7	2645.9	2642.0	2638.5	2635.6

FT-SE Eurotrack 200, Hourly changes Day's High 1221.95 Day's Low 1217.05

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1217.39	1218.51	1221.01	1221.57	1220.56	1220.40	1218.22

GILT EDGED ACTIVITY

Indices*	June 9	June 8
Gilt Edged Bargains	97.1	94.3
5-Day average	99.3	97.8

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	4	496		Comm. Union	323	487	-3	Lucas	936	131	+1	Shell Transport	1,800	513	-4
ASDA Group	10,000	33½		Cookson	762	156	+1	MB Caradon	1,200	274	+2	Siebe	1,100	718	
Abbey National	501	288		Courtaulds	907	548		MEPC	528	307	-1	Slough Ests	213	183	
Albert Fisher	485	73		Dalgety	158	418	+2	Manweb	202	347	+1	Smith (W.H.) A	277	458	+8
Allied-Lyons	2,400	653	+3	De La Rue	149	583	-1	Marks & Spencer	2,600	325	-1	Smith & Nephew	468	148	-½
Amstrad	9,400	39	+1½	Dixons	498	261	+1	Midland Bank	5,100	426	+2	SmKl Beecham	660	877	
Anglian Water	511	428	-4	Eastern Elect.	909	273	-2	Midlands Elect.	420	304		SmKl Beecham Uts.	109	3818	+6
Argos	306	269	+1	East Midland Elect.	545	283	-3	NFC	956	261	-1	Smiths Inds.	418	302	+8
Argyll Group	1,500	355	+1	Eng China Clays	601	546	-5	NatWest Bank	1,200	343		Southern Elect.	1,000	291	-1
Arjo Wiggins	1,100	261	+1½	Enterprise Oil	385	418	+1	National Power	1,400	239	-2	South Wales Elect.	165	363	
Ass Brit. Foods	611	444	+4	Eurotunnel Units	125	355	-3	Next	7,000	90½	-1½	South West Water	40	409	-4
Ass. Brit. Ports	150	423		FKI	498	79	-1	North West Water	288	421	+2	South West. Elect.	468	309	-2
BAA	2,000	695	+19	Fisons	719	350	-4	Northern Elect.	186	325	-1	Southern Water	387	408	-8
BAT Inds.	1,000	775	-6	Forte	4,500	226	+3½	Northern Foods	1,700	605	+14	Standard Chartd.	3,000	471	+11
BET	2,000	152	-2	Gen. Accident	774	470	-6	Norweb	230	335	+1	Storehouse	1,000	146	-1
BICC	733	343	+1	General Elect.	2,300	223	-½	Pearson	421	844	-1	Sun Alliance	672	307	-5
BOC	641	686	+3	Glaxo	2,000	738	+9	P & O	1,400	491	+4	T&N	1,400	154	-1
BPB Inds.	671	182		Glynwed Int.	502	244	+1	Pilkington	1,300	132	+2	TI Group	1,200	353	+1
BTR	2,100	463	+1	Granada	785	284	-1	PowerGen	2,700	247½	-1½	TSB	2,000	142½	-½
Bank of Scotland	189	117	+1	Grand Met.	3,500	482½	-1½	Prudential	7,800	258	+7	Tarmac	873	124	-2
Barclays	737	354	-1	GUS A	221	1494	+7	RHM	1,100	226	-3	Tate & Lyle	2,200	394	-1
Bass	1,600	593	+8	GRE	568	152	-3	RMC	99	574	-5	Taylor Woodrow	301	105	+1
Berisford Int.	51	20½		GKN	283	410	+6	RTZ	1,100	620	+3	Tesco	4,300	268	+1
Blue Circle	924	230	-4	Guinness	1,400	568	+2	Racal	57,000	69¼	+5½	Thames Water	636	435	-4
Booker	441	489	+9	Hammerson 'A'	20	370		Rank Org.	400	724	-4	Thorn EMI	465	850	-2
Boots	2,700	452	+2	Hanson	5,700	223	+2	Reckitt & Colman	476	646	-3	Tomkins	1,900	472	
Bowater	475	610	+5	Hanson Warrants	2,000	25¼	+1	Redland	656	506	-2	Trafalgar House	1,800	128	
Brit. Aerospace	813	332	-3	Harrisons Crosfield	1,000	139	+2	Reed Intl.	358	581	-2	Unigate	397	344	
British Airways	12,000	269	-8	Hillsdown	1,500	174	-1	Rentokil	632	187	-3	Unilever	1,500	929	+1
British Gas	3,300	252	+1½	IMI	315	283	+1	Reuters	300	1139	+5	United Biscuits	3,000	394	+10
British Land	348	204	+1	ICI	905	1305	-3	Rolls Royce	423	165		Utd. Newspapers	28	424	+1
BP	8,300	272	-2½	Inchcape	417	483	+4	Rothmans	603	1077	+17	Vodafone	5,300	367	-3
British Steel	8,800	76	-3½	Kingfisher	1,100	520	+6	Ryl Bk Scotland	2,800	197½	+3½	Warburg (SG)	290	563	+6
British Telecom	7,600	356	-4	Kwik Save	826	619	+4	Royal Insurance	2,700	252	-2	Wellcome	1,100	955	+7
Br. Telecom New	4,900	126	-5	Ladbroke	4,300	228	-2	Saatchi	4,200	19½	-¼	Welsh Water	937	467	-8
Bunzl	825	110	+3	Land Securities	703	403	+6	Sainsbury	818	466	-4	Wessex Water	508	505	-4
Burmah Castrol	551	639	-2	Laporte	361	587	-6	Scottish & New	1,100	474	+1	Whitbread 'A'	843	460	+8
Burton	2,800	50½		Legal & General	2,400	400	+1	Scot. Hydro-Elect.	1,000	193	-2	Williams Hldgs.	1,400	384	+2
Cable & Wire.	3,700	544	+9	Lloyds Abbey	1,500	395	-4	Scottish Power	1,700	181	-2	Willis Corroon	141	255	+1
Cadbury Schweppes	2,500	481	+2	Lloyds Bank	507	433	-1	Sears	8,000	86	-5½	Wimpey	1,100	187	-3
Calor Group	232	196		LASMO	826	197	+3	Sedgwick	20	213	+1	Wolseley	67	414	+4
Carlton Comms.	207	654	-1	London Elect.	3,600	322	-2	Seeboard	168	317	-3	Yorkshire Elect.	708	384	-2
Coats Viyella	514	208	-3	Lonrho	1,700	86		Severn Trent Water	939	380	-8	Yorkshire Water	286	457	-3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

BEAR closing and buying mainly by US houses pulled stock index futures out of the doldrums and helped underpin trading in the underlying cash market, writes Joel Kibazo.

The June contract on the FT-SE opened firmly around the 2644 level and quickly moved forward, helped by bear closing and demand from US houses, reaching the day's peak of 2,656 by mid morning.

After a period of sideways trading, June drifted lower over the lunch period in anticipation of an easier Wall Street. The poor opening on Wall Street led to increased selling of June causing a further retreat, though a squeeze *towards the end saw the con*tract recover some ground.

In contrast to the first two days of this week, the contract spent most of the session at a premium to fair value. Dealers once again pointed to the increased activity in September delivery in which over 2,000 lots were dealt.

June closed at 2,649, up 11 on the previous session and around 7 points above its estimated fair value premium to cash of about 7. Turnover *reached 7,257 lots.*

Traded options remained dull with turnover reaching 27,914 contracts. FT-SE option volume at 7,876 was also poor.

British Airways was the busiest stock option with 1,656 lots dealt. This was followed by Lasmo at 1,509 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 11.06.92: Pool purchase price £/MWh	Final Prices for Trading on 14.05.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.52	17.24	17.24
0100	17.50	17.26	17.26
0130	17.52	17.26	17.26
0200	17.50	18.50	19.94
0230	17.50	18.60	19.94
0300	17.50	17.31	17.31
0330	17.50	17.26	17.26
0400	17.50	17.24	17.24
0430	17.50	17.24	17.24
0500	17.50	17.26	17.26
0530	17.50	18.96	20.42
0600	17.47	18.96	20.42
0630	17.52	17.24	17.24
0700	22.43	20.13	21.84
0730	22.75	21.11	22.64
0800	24.05	23.30	24.87
0830	27.59	24.33	25.94
0900	28.97	24.34	26.93
0930	28.98	26.50	28.15
1000	28.98	28.50	28.14
1030	28.98	28.60	28.13
1100	28.08	28.38	28.00
1130	28.00	24.88	26.47
1200	28.00	28.49	30.17
1230	28.00	28.49	30.17
1300	27.99	28.48	30.15
1330	25.65	23.82	25.32
1400	24.89	23.80	25.31
1430	24.33	23.29	24.80
1500	24.33	23.29	24.80
1530	24.89	23.80	25.33
1600	24.89	23.80	25.32
1630	27.98	26.49	28.10
1700	27.99	26.49	28.08
1730	27.99	26.49	28.08
1800	24.89	23.80	25.32
1830	24.05	23.60	25.32
1900	23.48	23.80	25.33
1930	23.14	23.80	25.33
2000	22.75	17.60	17.60
2030	22.62	20.89	22.38
2100	22.62	20.89	22.38
2130	29.00	26.49	28.11
2200	28.00	26.49	28.11
2230	30.66	26.49	26.49
2300	30.66	17.65	17.65
2330	29.25	17.60	17.60
2400	19.93	17.60	17.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs ... h	15¼xr	—	19⅛	15⅛	8,432	2.2
♥Allegheny & W	283p	—	335p	228p	152.3	5.8
Amdahl	867p	-4	1108p	815p	988.4	0.6
Amer Cyanamid	31½	—	37	31½	2,885	2.9
Amer Express	12⅞xd	-⅛	13⅞	10⅞	6,188	4.4
Amer T & T	23¼xd	—	24⅞	20⅛	30,728	3.2
Ameritech	34	+⅛	36⅞	32½	14,885	5.8
BankAmerica	24xd	-⅞	27⅛	19⅛	8,232	3.1
Bankers NY	30⅞xd	-⅛	37⅛	28⅞	2,544	6.1
Bell Atlantic	23¾	-⅛	26¾	23⅛	10,224	6.2
BellSouth	26⅛	—	29⅛	25	12,715	5.9
♥Bethlehem Steel	8⅞xd	-⅛	9⅞	7	672.1	—
Bowater	1100pxd	+4	1570p	1078p	428.1	5.7
CPC ... h	23⅞	-⅛	25⅛	22⅞	3,630	2.9
♥Cadiz Land Inc	288p	+17	342p	168p	—	—
California Engy	652p	-40	830p	646p	118.7	—
Campbell Soup	18	+⅛	23⅞	17⅞	4,538	2.4
Chase Manhattan	15¼xd	—	15½	9⅛	2,144	4.4
Chrysler	11¼xd	+⅛	11¼	6¼	3,288	3.0
Citicorp	10⅞xd	-⅛	11	5⅞	3,614	—
Colgate-Palm	28xd	-⅛	29⅞	25¼	4,456	2.1
Cont'l Bank	968p	-11	1020p	499p	879.2	3.5
Dana	20⅞xd	-⅛	24½	14⅞	976.9	3.6
Data General	444p	-5	1004p	431p	122.8	—
Dial	19⅞xd	-⅛	24⅛	18⅞	795.4	3.2
Dun & Brad	29¾	+⅛	30½	27⅞	5,300	4.3
Eaton	45⅛	—	46½	32½	1,537	2.7
Echlin	10⅛xd	-⅛	11	7⅞	585.4	3.9
FPL	18⅞xd	-⅛	20	18⅛	3,210	7.3
Fluor	23⅝xd	-⅛	27	21	1,918	1.0
Ford Motor	25¾	-⅛	25⅞	15	12,493	2.2
Gen Elect	41⅞xd	—	46¼	40⅞	35,915	2.8
♥General Host	471p	-8	855p	360p	—	4.3

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CONTRACTING & CONSTRUCTION - Cont.

ENGINEERING-GENERAL - Cont.

HOTELS & LEISURE - Cont.

INVESTMENT TRUSTS - Cont.

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	1992 low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		94xd	—	107	83½	12.6	—	—
Cap.		27	+1	42	12½	—	51.7	49.7
Stepped Pf		140½	-½	141¼	128	8.8	—	—
Zero Div Pf		185	-½	186	166½	—	—	—
Warrants		5½	—	9	3½	—	—	—
Scot Value	fa	63½xd	—	64	48	3.8	63.0	0.1
Sec Alliance	†	1233	-2	1283	1138	3.8	1359.8	9.3
Second Market	s	242	—	244	222	8.8	288.5	16.1
Sec Tst Scot		72	—	75½	63	6.8	74.5	4.0
Select Assets		92	-2	102½	92	1.3	131.8	30.2
Eq Ind Ser		122	—	123	109	4.6	—	—
Eq Ind Serll		122	—	123	109	4.8	—	—
Shires		249	+1	249	195	10.1	241.3	-2.8
11pc Cv Ln '03/04		£115½	—	£119½	£95½	9.5	—	—
Siam Select		73	—	91	73	7.9	84.3	13.4
Warrants		14	—	21	14	—	—	—
Smaller Cos		84	-2	86	67	4.1	93.3	9.9
Warrants		18	—	20	10	—	—	—
Sphere Inc	N	13½	-1	20	13½	30.6	22.1	34.9
Zero Div Pf		76½	-½	77¾	65¾	—	—	—
Warrants		0¾	—	3½	0¾	—	—	—
Stratton		164xd	-2	168	147	1.4	186.7	11.6
Sumit		55	—	55	38	3.8	109.6	49.8
TR City of Lon	M	124¼	—	127½	97½	5.1	119.3	-4.2
TR Euro Growth	s	80	—	80	70	1.7	98.4	18.6
Ptg Sub	s	48	-1	54	48	2.9	—	—
TR Far East Inc	M	92	—	96	76	6.4	103.7	11.3
Warrants		20	+1	22	12	—	—	—
TR High Inc		110	+1	110	91	7.3	104.7	-4.1
Sub	0	30	—	35	28	8.7	—	—
TR Pacific	s	93	—	99	71	8.4	99.4	6.5
TR Prop		23	-½	27	20	8.7	31.2	26.3
TR Smaller		142	—	182	116½	3.5	155.1	8.5
TR Technology	M	32	—	37	25	7.7	102.1	68.7
Stepped Pf		102	—	102	89¾	7.2	—	—

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		34	—	34	26	63.5	—	—
Barings 8pc Cu 2nd Pf		100	—	100	83½	12.5	10.7	—
9¼pc Non-Cum Pf		121	—	121¾	103¼	48.4	10.7	—
Brown Shipley		125	—	204	125	18.0	8.5	—
Close Bros	†	250	—	267	247	93.1	4.7	11.2
Hambros	q	287	-1	292	216	495.5	6.6	10.1
7½pc Cv Pf		115	-1	119	93	172.5	9.0	—
Joseph (L)		330	—	333	318	77.3	8.4	—
Kleinwort Benson		312	-5	324	212	405.6	6.8	22.1
Rea Bros		35	—	37	28	19.7	1.9	—
Schroders		1349	-5	1365	1043	674.6	1.8	15.6
N/V		1150	-5	1160	883	151.0	2.1	13.4
Singer & Fried		47	+1	58	37	98.4	7.1	10.3
Warburg (SG)		663xd	+6	665	445	1,171	4.3	11.3
6pc Cv Pf		194	+1	204	150	82.5	4.1	—
Wintrust		220	—	263	213	18.7	5.8	♦

METALS & METAL FORMING

	Notes	Price	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
ASW		148	-4	165	113	98.7	8.1	28.0
Apollo Metals		140xd	—	147	129	18.5	3.3	15.3
Ash & Lacy		168	—	168	142	44.3	5.1	12.9
Barrett (H)	‡	24	—	45	19	18.4	‡	55.5
Billam (J)		128	—	144	84	2.84	4.5	7.1
Brit Steel		76	-3½	88	64	1,520	15.4	—
BCI		32	—	35	15	27.7	8.5	12.1

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- β Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
k Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property May 31	190.25	194.05	.....	8.21
Equity May 31	922.95	935.85	.....	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond June 8	104.64		-0.1	10.31
(Accum Units)	450.48		-0.4	10.31
NAACIF Jun 2	42.25		-0.3	8.79
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † June 9	138.3	148.2	.....	1.82
UK Small Co † June 9	556.9	609.9	.....	3.28
Fixed Interest † June 9	110.2	116.0	.....	8.55
US Small Co June 9	152.4	163.1	.....	0.00
Managed June 9	114.2	122.1	.....	3.51
Intl Bond June 9	120.3	127.1	.....	10.10
Japan June 9	60.68	64.68	.....	4.92
European June 9	95.21	99.79	.....	1.68
Nth American June 9	113.1	119.5	.....	1.32
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	53.10	56.23	-0.45	1.64
European Exempt	53.15	55.81	-0.54	2.48
Fixed Int Ex Jun 10	46.57	47.72	-0.62	9.05
Japan Exempt	37.26	38.76	+0.07	0.80
Managed Ex June 4	47.68	49.59	.....	3.96
SE Asia Exempt	82.05	86.16	+0.20	2.18
Sm Cos Expt Jun 10	37.89	39.79	-0.58	3.03
UK Eqty Ex Jun 10	45.63	47.92	-1.06	3.76
Phillips & Drew Fund Management Ltd				
Small Co's Jun 3	736.91	783.90	.....	3.76
Do Accum	860.3	915.16	.....	3.76
Int. Expt Jun 4	193.07	197.35	.....	1.73
UK Index Jun 3	1269.35	1285.41	.....	4.44
Do Accum	1414.17	1434.08	.....	4.44
Convertible June 8	100.52	103.67	.....	7.78
World ex UK Index Jun 9	737.45	745.94	.....	2.2
Do Accum	737.45	745.94	.....	2.2
Japan Index June 9	440.29	446.78	.....	1.05
Do Accum	442.03	448.55	.....	1.05
USA Index June 9	1027.87	1034.71	.....	2.95
Do Accum	1071.42	1078.54	.....	2.95
Europe ex UK Index June 9	928.44	942.47	.....	3.15
Do Accum	965.54	980.13	.....	3.15

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc—Contd.				
Gen 4				
Fixed Int Dep Acc	28.0	29.5	.....	-
Equity Acc	27.9	29.4	.....	-
Property Acc	23.0	24.3	.....	-
Far East Acc	22.7	23.9	+0.1	-
European Acc	22.9	24.2	.....	-
Managed Acc	27.8	29.3	.....	-
Overseas Acc	29.5	31.1	.....	-
Gilts Acc	30.7	32.4	.....	-
Am Equity Acc	27.1	28.6	-0.1	-
Am Managed Acc	26.4	27.8	-0.1	-
Am Property Acc	21.0	22.2	.....	-
High Income Acc	25.7	27.1	.....	-
High Income Ser 2	25.6	27.0	-0.1	-
Pension Funds				
F.I.Dep.Cap	370.9	390.5	+0.1	-
F.I.Dep.Acc	705.7	742.9	+0.2	-
Prop. Cap	497.0	523.2	-0.1	-
Prop. Acc	1045.9	1101.0	-0.1	-
Man. Cap	909.5	957.4	-1.4	-
Man. Acc	1913.9	2014.7	-2.8	-
Gilt Edged Cap	386.3	406.7	-0.4	-
Gilt Edg. Acc	663.1	698.0	-0.6	-
Eq. Cap	1486.5	1564.8	-2.4	-
Eq. Acc	2369.1	2493.8	-3.6	-
Am. Eq Cap	180.3	189.8	-1.9	-
Am. Eq Acc	241.7	254.5	-2.5	-
Far East Cap	198.9	209.4	-0.2	-
Far East Acc	266.7	280.8	-0.2	-
Euro Cap	31.6	33.3	-0.1	-
Euro. Acc	38.1	40.2	-0.1	-
B.S. Cap	435.9	457.8	+0.1	-
B.S. Acc	805.9	846.2	+0.3	-
D.A.F. Cap	334.9	334.9	.....	-
D.A.F. Acc	551.6	551.6	+0.1	-
Mortgage Cap	202.2	212.9	.....	-
Mortgage Acc	271.3	285.6	+0.1	-
Saving Funds				
Pen Eqty Cap	31.3	33.0	-0.1	-
Pen Eqty Acc	36.2	38.2	-0.1	-
Pen Am Eq Cap	33.2	35.0	-0.3	-
Pen Am Eq Acc	38.3	40.4	-0.4	-
Pen Far East Cap	25.9	27.3	+0.1	-
Pen Far East Acc	30.0	31.6	+0.1	-

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist. (Gross)	135.1	142.2	-----	-
Property Acc. (Gross)	257.5	271.0	-----	-
Equity (Gross)	912.3	960.3	-3.2	-
Managed (Gross)	632.7	666.0	-1.8	-
Property Acc. (Net)	123.1	129.6	+0.1	-
Equity (Net)	211.0	222.1	-0.7	-
Managed (Net)	194.1	204.3	-0.5	-
International (Net)	166.3	175.0	-0.5	-
Gilt & Fixed Interest	139.9	147.3	+0.1	-
Money Fund	139.4	146.7	-----	-
Mixed Fund (Cap)	122.2	128.7	-----	-
Mixed Fund (Acc)	126.2	132.9	-----	-
Adventurous Managed	95.7	100.7	-0.2	-
Cautious Managed	95.8	100.8	-----	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	686.0	722.2	-3.6	-
Ret Man (Series 2)	232.7	245.0	-1.2	-
Ret Cash	196.1	206.5	+0.1	-
Pens Mixed Fd (Cap)	136.4	143.6	-----	-
Pens Mixed Fd (Acc)	141.0	148.5	-----	-
Pens Stig Fd (Cap)	103.6	109.1	-----	-
Pens Stig Fd (Acc)	107.0	112.7	-----	-

Pegasus Assurance Ltd
Broad Quay, Bristol BS1 4DJ 0272 230271

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Aggressive	104.2	109.8	-0.2	-
Managed Balanced	101.4	106.8	-0.4	-
Managed Cautious	112.9	118.9	-0.3	-
Pension Funds				
Managed Aggressive	109.1	114.9	-0.2	-
Managed Balance	106.4	112.0	-0.5	-
Managed Cautious	117.1	123.3	-0.3	-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	137.0	145.0	-1.0	-
Building Soc. Fd	222.0	234.0	-----	-
Balanced	282.0	297.0	-1.0	-
European	211.0	223.0	-----	-

Provident Mutual Life Assc. Assn.—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Index Linked Gilt Init	127.9	134.6	-0.1	-
Overseas Equity Ord	269.9	284.1	-0.3	-
Overseas Equity Init	197.2	207.6	-0.3	-
Property Ord	221.7	233.4	-----	-
Property Init	162.1	170.6	-----	-
Fixed Interest Ord	227.6	239.6	+0.3	-
Fixed Interest Init	166.3	175.1	+0.2	-
Deposit Ord	186.4	196.2	-----	-
Deposit Init	136.2	143.4	-----	-
Pension Funds				
Managed Ord	473.5	498.4	+0.2	-
Managed Init	346.1	364.3	+0.1	-
Equity Ord	743.0	782.1	+0.6	-
Equity Init	543.1	571.7	+0.4	-
Pen Ind Lkd Gilt Ord	189.1	199.1	-----	-
Pen Ind Lkd Gilt Init	144.4	152.0	-----	-
Overseas Equity Ord	306.8	322.9	-0.5	-
Overseas Equity Init	224.2	236.0	-0.3	-
Property Ord	279.2	293.9	-----	-
Property Init	204.1	214.8	-----	-
Fixed Interest Ord	289.5	304.7	+0.4	-
Fixed Interest Init	211.6	222.7	+0.3	-
Deposit Ord	267.3	281.4	+0.1	-
Deposit Init	195.4	205.7	+0.1	-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Prulund				
Managed Jun 3	266.8	278.0	-4.1	-

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Jun 3	£195.24	201.32	-----	-
Equity Jun 3	£227.10	234.85	-----	-
International Jun 3	£27.86	28.43	-----	-
Intl Bond Jun 3	£14.36	14.95	-----	-
Fixed Int. Jun 3	£106.22	107.40	-----	-
Index Linked Jun 3	£77.64	78.62	-----	-
Property Jun 3	£109.69	115.76	-----	-
Cash Jun 3	£30.5947	30.5947	-----	-
Pru-Linked Retirement Plan				
Managed Jun 9	466.4	486.1	-9.2	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

JERSEY (REGULATED)(**)

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark loses recent gains

THE D-MARK lost more of its recent gains against European currencies yesterday, as the foreign exchange market's fears about European Monetary Union (Emu) temporarily faded away, *writes James Blitz*.

Sterling, the Spanish peseta and the Portuguese escudo regained some of the ground that they had lost to the German currency in the wake of Denmark's rejection of Emu one week ago. Both the Italian lira and the French franc also recovered ground, but by not quite as much as the other high-yielding currencies.

It is unlikely that any of these recoveries marked a significant shift away from the market's perception that Emu is in serious trouble. Instead, analysts are putting yesterday's D-Mark's losses down to profit-taking. "Nothing has changed as far as the Maastricht worries are concerned," said Mr Mark Austin, chief economist at HongKong and Shanghai Banking Corp, in London. "It is only short term position taking that has caused the D-Mark to suffer."

Sterling made the best gains of the day, rising ½ a pfennig to close at DM2.9200. It also ended a little more relaxed in the European Monetary System grid, finishing the day third from bottom. Worries over the Spanish peseta also faded a little as the currency ended the day at Pta62.91 to the D-Mark from a previous close of Pta62.98. The Italian lira was a little stronger at Lira755.8 to the D-Mark from a previous close of 756.4. But it was still at the bottom of the EMS grid and its long term prospects continue to worry the market now that Emu is in such big difficulties.

The dollar appreciated slightly against the German currency at the start of European trading, and reached a high of around DM1.6005. But it slid down in the afternoon on the back of soft US housing completion figures. These dropped 8.5 per cent in April to a seasonally adjusted annual rate of 1.026m.

The market will probably wait for the arrival of today's figures for May producer prices and retail sales before deciding whether to invest further in the US currency. The current forecast is for a rise of 0.3 per cent in the producer prices and a 0.7 per cent rise in May sales after a 0.9 per cent gain in April. Last night, the dollar closed in Europe at DM1.5930 from a previous close of DM1.5900. In late American trading, it was up to DM1.5940.

The Japanese yen was weaker against the D-Mark as the market took a gloomy view of the possible contents of tomorrow's Tankan quarterly business survey, issued by the Bank of Japan. Dealers fear that the survey might be weak enough to persuade the BoJ to weaken policy. The D-Mark ended the day at Y80.03 from a previous close of Y80.27.

£ IN NEW YORK

June 10	Latest	Previous Close
£ Spot	1.8320 - 1.8330	1.8340 - 1.8350
1 month	0.92-0.91pm	0.95-0.93pm
3 months	2.73-2.71pm	2.70-2.67pm
12 months	8.95-8.85pm	8.97-8.87pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.334	-4.70	5.82	77
Spanish Peseta	133.631	128.977	-3.48	4.49	59
Belgian Franc	42.4032	42.2268	-0.42	1.27	22
Dutch Guilder	2.31643	2.31112	-0.23	1.08	13
D-Mark	2.05586	2.05181	-0.20	1.05	15
French Franc	6.89509	6.90213	0.10	0.74	-3
Irish Punt	0.767417	0.768329	0.12	0.73	-4
Sterling	0.696904	0.702161	0.75	0.09	-16
Danish Krone	7.84195	7.90696	0.83	0.02	-36
Italian Lira	1538.24	1551.26	0.85	0.00	-40

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8270 - 1.8340	1.8330 - 1.8340	0.93-0.91cpm	6.02	2.73-2.71pm	5.93
Canada	2.1800 - 2.1925	2.1915 - 2.1925	0.73-0.67cpm	3.83	1.28-1.18pm	2.24
Netherlands	3.2850 - 3.2950	3.2850 - 3.2950	⅛-parcpm	0.23	⅜-⅛pm	0.30
Belgium	59.80 - 60.20	60.10 - 60.20	3-2cpm	0.50	7-2pm	0.30
Denmark	11.2475 - 11.2725	11.2625 - 11.2725	1⅛-1⅝oredis	-1.46	2⅛-2⅝dis	-0.75
Ireland	1.0925 - 1.0975	1.0960 - 1.0970	0.02dis-0.01pm	-0.05	0.06dis-0.01pm	-0.09
Germany	2.9075 - 2.9250	2.9175 - 2.9225	par-⅛pfdis	-0.26	⅛-parpm	0.09
Portugal	241.85 - 243.30	242.30 - 243.30	142-181cdis	-7.98	421-488dis	-7.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

	£	$
Kuwait	0.53350 - 0.53450	0.29070 - 0.29100
Luxembourg	60.10 - 60.20	32.75 - 32.85
Malaysia	4.6015 - 4.6150	2.5215 - 2.5225
Mexico	5524.80 - 5536.95	3116.00 - 3117.00
N.Zealand	3.3665 - 3.3700	1.8385 - 1.8405
Saudi Ar	6.8170 - 6.8940	3.7495 - 3.7505
Singapore	2.9705 - 2.9785	1.6265 - 1.6275
S.Af (Cm)	5.1585 - 5.1710	2.8220 - 2.8240
S.Af (Fn)	6.3690 - 6.4020	3.4785 - 3.4965
Taiwan	45.20 - 45.40	24.70 - 24.80
U.A.E.	6.6750 - 6.7520	3.6715 - 3.6735

*Floating rate. Iran Official rate: £119.10 $65.50

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

Estimated volume 11481 (10649)
Previous day's open int. 41869 (42894)

* Contracts traded on APT. Closing prices shown

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8335	1.8242	1.8063	1.7824	1.7448

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	NatWestminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	First National Bank Plc	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank A.G. Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unibank plc	10
Brit Bk of Mid East	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
● Brown Shipley	10	● Hill Samuel	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	C. Hoare & Co.	10	Western Trust	10
Citibank NA	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
City Merchants Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Clydesdale Bank	10	● Leopold Joseph & Sons	10	● Members of British Merchant Banking & Securities Houses Association.	
Co-operative Bank	10	Lloyds Bank	10		
Coutts & Co	10	Meghraj Bank Ltd	10		

MONEY MARKETS

Cash rates firmer

RATES in the sterling interbank market were slightly firmer yesterday as the market took most of the day to remove a £750m shortage forecast by the Bank of England.

After several days in which money had been relatively cheap, the short dates in the cash market moved up yesterday. The overnight rate moved between much narrower ranges of 9¾ and 10¼ per cent, having hit a low of 8¼ per cent the previous day. 1-month money moved up to 9 15/16 per cent from a previous close of 9⅞ per cent. However, everything from 2-months out ended the day at the same rate of 10 per cent.

Traders said that the firming of shorter-dated rates was due purely to supply and demand factors in the market. After forecasting a £750m shortage, the Bank purchased £11m of bills for resale to the market on 29 June at an interest rate of 9 15/16 per cent. The Bank then purchased £387m of Band-1 bank bills at 9⅞ per cent, £143m of Band-2 bank bills at 9⅞ per cent and £25m for resale to the market on 29 June at an interest rate of 9 15/16 per cent. The Bank did not operate in the market in the afternoon, but issued late assistance of around £35m.

Despite these technical factors, the longer-dated rates reflected a bearish view on a possible rate cut. They were unchanged, despite sterling's ½ pfennig rise against the D-Mark on the foreign exchanges yesterday. Traders said that the bearish view still dominates in the cash market on a possible base rate cut.

That was the prevailing view among traders in sterling futures. September short sterling ended up one tick on the day at 90.23. This assumes that 3-month sterling libor in September will be at 9.77 per cent, less than ¼ per cent lower from yesterday's rate.

December short sterling was also only a tick higher at 90.47, implying that 3-month sterling libor at the end of the year will be at 9.53 per cent. In other words, the market is assuming that another ½ percent cut in rates this year is unlikely.

German call money rates were quoted unchanged at 9.60-9.65 per cent yesterday after the Bundesbank held rates steady in its weekly tender for securities repurchase funds. The Bundesbank allocated DM38.3bn in a 28-day tender, mostly at 9.65 per cent.

UK clearing bank base lending rate
10 per cent
from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. June 10) 3 months US dollars		6 months US Dollars	
bid 3¾	offer 4	bid 4	offer 4⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6½	One month	3.67	Three year	5.65
Broker loan rate	6	Two month	3.72	Five year	6.58
Fed.funds	3 13/16	Three month	3.76	Seven year	6.97
Fed.funds at intervention	-	Six month	3.94	10-year	7.33
		One year	4.19	30-year	7.89
		Two year	5.09		

June 10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.60-9.70	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9 13/16-9 15/16	9 15/16-10 1/16	9 15/16-10 1/16	10-10⅛	9 15/16-10 1/16	9.60
Zurich	8¾-9⅛	9⅛-9½	-	9⅛-9⅝	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4 11/16-4¾	4 13/16-4 15/16	-	4⅝-4 13/16	-	-
Milan	12¾-13	13⅛-13¼	-	13⅛-13¼	-	-
Brussels	9⅝-9⅞	9⅝-9⅞	-	9⅝-9⅞	-	-
Dublin	9 5/16-9½	9 13/16-10	9 15/16-10⅛	9 15/16-10⅛	10-10½	-

LONDON MONEY RATES

Jun 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	10⅛	10	10	10	10
Interbank Bid	9½	9⅞	9⅞	9⅞	9⅞	9⅞
Sterling CDs	-	-	9 15/16	9 15/16	9⅞	9⅞
Local Authority Deps.	9⅞	9 13/16	9⅞	9 15/16	9 15/16	9 15/16
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	9¾	9¾	-	-	-	-
Company Deposits	-	-	9 15/16	10	10	10
Finance House Deposits	-	-	9 15/16	9 15/16	9 15/16	9 15/16
Treasury Bills (Buy)	-	-	9⅞	9⅞	9¾	-
Bank Bills (Buy)	-	-	9 15/16	9 15/16	9¾	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.75	3.80	3.98	4.44
SDR Linked Dep. Offer	-	-	6½	6⅝	6⅝	6¾
SDR Linked Dep. Bid	-	-	6¼	6⅜	6⅜	6½
ECU Linked Dep. Offer	-	-	10⅜	10⅜	10⅜	10⅜
ECU Linked Dep. Bid	-	-	10⅛	10⅛	10⅛	10¼

Treasury Bills (sell): one-month 9 13/16 per cent; three months 9¾ per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 9 13/16 per cent; three months 9 13/16 per cent; Treasury Bills; Average tender rate of discount 9.4218 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1992. Agreed rates for period June 24, 1992 to July 225, 1992, Scheme I: 11.34 p.c., Schemes II & III: 11.35 p.c. Reference rate for period May 1, 1992 to May 29, 1992, Scheme IV&V: 10.122 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from June 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

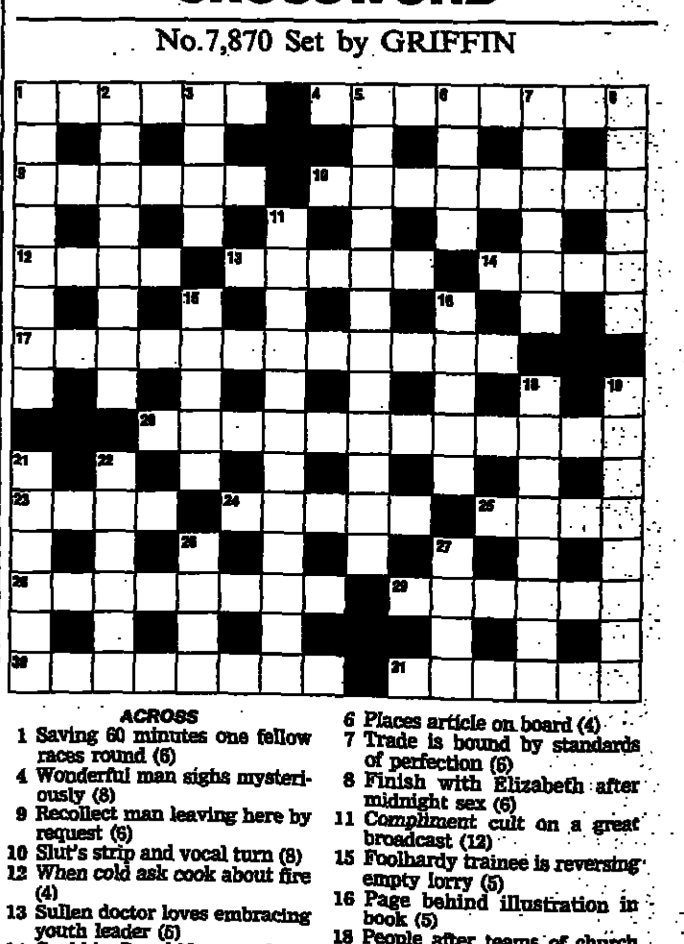
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,870 Set by GRIFFIN



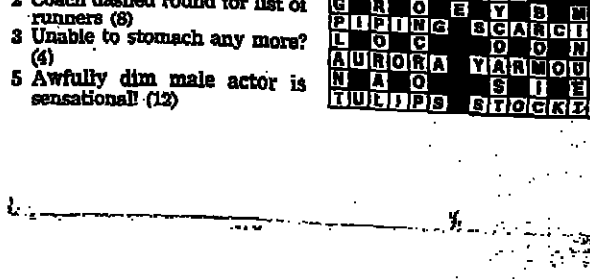
ACROSS

1 Saving 60 minutes one fellow races round (6)
4 Wonderful man sighs mysteriously (8)
9 Recollect man leaving here by request (6)
10 Slut's strip and vocal turn (8)
12 When cold ask cook about fire (4)
13 Sullen doctor loves embracing youth leader (6)
14 Could be Royal Navy, perhaps (4)
17 Nubile Maria, bare leg swinging (12)
20 Collapsing as panel attempts to make jokes (12)
23 Musician's order is to include duck (4)
24 I go round this Italian city (5)
25 Emperor embracing Queen on returning (4)
28 Well-known female getting airmail letters (8)
29 Doctor's after a lettuce plant (6)
30 "Ring round", we'd shouted (8)
31 Sunburnt man seizes girl (6)

DOWN

1 Irritating drunk tries to ring me (8)
2 Coach dashed round for list of runners (8)
3 Unable to stomach any more? (4)
5 Awfully dim male actor is sensational! (12)
6 Places article on board (4)
7 Trade is bound by standards of perfection (6)
8 Finish with Elizabeth after midnight sex (6)
11 Compliment cult on a great broadcast (12)
15 Foolhardy trainee is reversing empty lorry (5)
16 Page behind illustration in book (5)
18 People after teams of church workers (8)
19 Adopted journalist takes a wife (8)
21 When in taxi against loud chat (6)
22 Stiff from swimming a lake (6)
26 A lot better singer (4)
27 Roll up a hill (4)

Solution to Puzzle No.7,869



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Jun 9	Jun 8	Jun 5	Jun 4	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	3369.92	3404.14	3398.69	3399.73	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.66	99.96	99.86	99.68	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1360.80	1388.64	1387.89	1377.06	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.01	213.19	211.38	211.25	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

ϕDay's High 3412.95 (3422.80) Low 3350.22 (3370.18)

STANDARD AND POOR'S

	Jun 9	Jun 8	Jun 5	Jun 4	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	410.06	413.36	413.48	413.26	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	484.64	488.51	489.56	489.57	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.92	35.34	35.07	35.07	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	225.95	227.71	227.88	227.90	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	393.06	396.43	397.16	397.18	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	573.80	582.01	585.43	588.26	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	Jun 5	May 29	May 22	year ago (approx.)
Dow Industrial Div. Yield	2.99	2.99	2.92	3.05

	Jun 3	May 27	May 20	year ago (approx.)
S & P Industrial div. yield	2.63	2.65	2.63	2.74
S & P Indl. P/E ratio	28.96	28.77	28.92	19.24

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Abbott Labs	4,440,200	27⅜	- ⅛
Telefonos	2,743,800	54¼	- ⅝
Bristol Myers	2,179,800	64½	- ¼
Fannie Mae	2,016,600	58⅝	- 2⅞
Fed Dept St	1,872,400	12½	- ⅞
Gen Motors	1,787,500	43¼	- ⅝
Glaxo	1,637,300	43⅞	- ½
Philip Morris	1,626,400	74¼	- 1¼
RJR Nabisco	1,566,200	9½	- ¼

TRADING ACTIVITY

† Volume (Millions)	Jun 9	Jun 8	Jun 5
New York SE	190,750	161,110	199,050
Amex	13,848	8,230	11,196
NASDAQ	182,217	129,051	168,391
NYSE			
Issues Traded	2,273	2,263	2,251
Rises	561	811	795
Falls	1,153	867	875
Unchanged	559	585	581
New Highs	43	59	55
New Lows	36	22	31

CANADA

TORONTO	Jun 9	Jun 8	Jun 5	Jun 4	1992 HIGH	1992 LOW
Metals & Minerals	3193.57	3215.12	3202.90	3234.27	3238.87 (16/1)	2828.26 (8/4)
Composite	3386.09	3394.48	3392.56	3403.42	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1784.66	1791.80	1788.70	1802.27	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jun 10	Jun 9	Jun 8	Jun 5	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1665.8	1674.5	(c)	1674.5	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	709.6	718.2	(c)	712.3	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	414.75	416.25	(c)	416.21	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	998.06	1002.09	(c)	1003.48	1099.43 (24/2)	981.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1219.78	1223.88	(c)	1225.54	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	327.89	329.58	(c)	(c)	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	783.7	798.8	806.2	813.6	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	535.92	539.65	(c)	542.50	555.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1953.73	1962.23	(c)	1983.58	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	711.83	713.60	(c)	714.24	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	2005.6	2012.1	(c)	2015.5	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1789.76	1786.36	(c)	1789.07	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	5917.50	5940.19	5978.75	(c)	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1360.39	1368.79	1371.55	1373.86	1489.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital (1972)	481.07	480.04	481.08	487.42	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	949.0	946.0	948.0	961.0	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	17742.87	17845.04	17655.06	17790.04	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1347.24	1346.99	1337.79	1345.96	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	1997.10	2003.21	2001.13	2017.55	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	589.52	584.67	585.39	587.16	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen (End 1983)	314.6	314.9	(c)	314.5	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	215.3	215.5	(c)	215.2	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	747.7	754.5	(c)	759.71	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1573.34	1568.25	1580.28	1517.21	1580.28 (8/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	407.05	402.58	402.92	403.59	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1079.0‡	1074.0	1082.0	1074.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4657.0‡	4680.0	4669.0	4667.0	4689.00 (4/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	562.87	561.76	563.65	569.20	691.48 (8/2)	561.76 (9/6)
SPAIN						
Madrid SE (30/12/85)	251.34	250.87	253.80	254.64	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	959.8	963.5	(c)	974.5	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	869.8	873.0	(c)	875.4	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	664.2	667.1	(c)	670.9	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4633.80	4526.66	4565.04	(c)	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangkok SET (30/4/75)	687.38	684.47	703.26	782.24	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) (S)	504.3*	505.8	507.2	508.9	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	950.66	951.01	955.57†	959.50	976.55 (25/5)	870.31 (2/1)

**Saturday June 6: Taiwan Weighted Price: (c), Korea Comp Ex. (c).
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday 10th June 1992

	Stocks Traded	Closing Prices	Change on day
Meiji Milk Prod	15.9m	994	+2
Nissan Chm Inds	8.0m	766	+29
Morinaga Milk	5.9m	868	+2
Jpn Storage Batt	5.1m	1,080	+20
Cosmo Oil	4.8m	743	+10
Suzuki Motor	4.2m	788	-3
Penta Ocean Cnt	4.0m	862	+2
Ricoh Co	3.8m	540	+7
Fuji Heavy Ind	3.8m	363	-7
Kamigumi	3.5m	944	+11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices June 10

- A -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12½	AAR Corp	0.48	3.9	14	117	12½	d12⅜	12¼	-⅛
26	20⅞	A L Labs A	0.18	0.8	88	134	21⅜	21⅛	21⅝	-⅛
68¾	56	AMP Inc	1.52	2.6	24	926	59⅞	58⅞	58⅞	-1⅛
80¼	60⅞	AMR			18	2945	64⅛	63⅛	63⅝	-1¼
2⅛	1⅞	ARX			2	28	1⅞	1⅞	1⅞	
53½	40¾	ASA	2.00	4.6	12	434	44¼	43⅝	43¾	-½
34¾	26⅝	Abbott Lab	0.60	2.2	20	6332	27¾	27⅜	27⅝	
13⅞	12	Abitibi Pr	0.42	3.1	9	2	13⅛	13⅛	13⅛	
11⅝	10⅛	ACM Gvt In x	0.96	8.7		62	11	10⅞	11	
10⅛	9⅛	ACM GvOpp x	0.80	8.4		147	9⅝	9½	9½	
9½	8½	ACM Gvt Sp x	0.80	8.8		171	9⅛	9	9⅛	+⅛
11¼	10⅛	ACM Gvt Se	0.96	8.8		153	10⅞	10¾	10⅞	+⅛
9⅝	8⅝	ACM Man x	0.96	10.0		61	9½	9⅜	9½	+⅛
12⅞	10⅝	ACM Mangd x	1.08	9.2		78	11¾	11⅝	11¾	+¼
11¼	6¼	Acme Cleve	0.40	5.3	25	11	7½	7½	7½	
6¼	4½	Acme Elect			4	2	4¾	4¾	4¾	
33¼	18⅞	Acuson			13	216	21¾	21½	21½	-⅛
19½	18⅛	Adams Expr	0.48	2.6	0	24	18⅞	18¾	18⅞	
49⅛	38¾	Ad Micro	3.00	7.4		70	41	40	40⅞	+⅞
21½	14½	Ad Micro P	3.00	19.2		66855	15⅞	15½	15⅝	+⅜
9⅛	5	Advest Grp	0.16	2.5	63	80	6⅜	6¼	6⅜	
71¾	66	Aegon ADR	3.39	4.9	6	z100	69¼	69¼	69¼	-½
47	38⅛	Aetna Li	2.76	6.7	7	958	41⅞	40⅞	41	-¼
12	8⅜	Affil A	0.24	2.2	12	401	10⅞	10¾	10⅞	+⅛
32⅞	24	Aflac	0.44	1.5	14	507	29	28⅝	28⅞	+¼
19⅜	15⅛	Ahmanson	0.88	5.1	8	235	17¼	17⅛	17¼	+⅛
22½	6⅜	Aileen Inc			7	70	7⅜	7¼	7⅜	+⅛
49½	36½	Air Pr Chm	0.80	1.8	18	1379	44⅛	43⅞	43⅞	-1
26¼	14	Airbne Frt	0.30	1.9	12	1231	16¼	15¼	15⅝	-⅜
32½	22⅝	Airgas Inc			29	85	31⅝	31¼	31⅝	+⅜
12⅜	8⅛	Airlease	1.66	14.9	7	121	11¼	11⅛	11⅛	+⅛

- B -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68½	50	Bankers Tr	2.80	5.0	7	794	56½	56¼	56½	+¼
30½	20⅝	Barcls ADR	1.76	6.8	13	5	26⅛	26	26	-⅛
34	24¼	Bard (C R)	0.48	2.0	21	1226	24⅞	d24¼	24¼	-½
36⅛	31⅛	Barnes Grp	1.40	4.2	11	7	33	32⅞	33	
40½	31	Barnett Bk x	1.32	4.0	16	887	33½	33¼	33⅞	
6¼	4⅞	Baroid x	0.20	3.5	674	102	5⅞	5¾	5¾	-⅛
8⅝	5⅞	Battle Mt	0.10	1.4	99	1721	7⅛	7	7	-⅛
60⅛	45	Bausch Lmb x	0.80	1.7	30	1403	46⅛	45¾	45¾	-⅞
50⅝	43⅛	Baxter Prf	3.15	6.3		2	49⅞	49⅞	49⅞	
40½	32⅛	Baxter x	0.86	2.5	15	6382	35⅛	34⅝	34⅝	-¾
24¼	20¾	Bay St Gas	1.38	6.0	15	131	23	22½	23	+⅜
23¾	21⅝	Bd Tr 1838	1.82	7.8		20	23⅜	23⅛	23⅜	+⅛
19¾	15½	Bear Strns	0.60	3.8	6	1517	16⅞	16	16	-⅞
46	43⅞	BearStPfA	3.33	7.2		z100	u46	46	46	
23¼	19⅝	Bearings	0.64	3.3	34	15	19⅞	19½	19½	-⅜

NYSE COMPOSITE PRICES

Continued from previous page

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Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.36	26	1693	24 7/8	24 5/8	24 7/8	+1/8
Pegasus G	0.10	33	73	12 7/8	12 3/4	12 7/8	
Perini	0.80	27	6	13 1/8	13 1/8	13 1/8	+1/8
Pa HIP z	1.14	14	9	13 3/8	13 1/4	13 3/8	
Phil LD z	0.21	21	830	44 3/8	43 5/8	43 5/8	-3/8
Pitway A z	1.10	16	5	30	30	30 1/8	
Ply Gem	0.12	24	60	12 1/8	11 7/8	12 1/8	+1/8

OUR VIEWS ARE VALUED FROM VIENNA TO VANCOUVER.

NASDAQ NATIONAL MARKET

3:00 pm prices June 10

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- F -

- G -

- H -

- B -

- C -

- D -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Walgreen x	0.48	27	290	24 1/8	24	24	-1/8
WPP Group	1.11	1	650	2 1/8	2	2	-1/16
Wyman-Gdn	0.40	0	78	4 1/8	4	4	-1/8

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	5489	21 1/4	d20 3/4	21	
Xoma Corp		6	6216	14 1/2	13 3/4	14 1/2	+1/4
Yellow Fr	0.94	22	2711	28 1/8	27 1/2	27 1/2	-1/2
York Rsch		5	502	5 3/4	5 1/2	5 5/8	
ZionsUtah	1.44	10	2	53 1/4	52	52	-1

AMERICA

Fall in April consumer demand weakens Dow

Wall Street

TRADING on US stock markets retained its negative bias yesterday as share prices added to the substantial losses incurred on Tuesday, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was down 6.74 at 3,363.18. The more broadly based Standard & Poor's 500 was also lower at midsession, down 0.68 at 409.43, while the Nasdaq composite fell 0.38 to 573.42. Turnover on the NYSE was 121m shares by 1 pm.

Although there were no new economic figures out, the announcement late on Tuesday of a 6.3 per cent drop in April consumer borrowing unsettled sentiment. The decline was unexpected, and the largest monthly drop since 1980. Any weakness in consumer demand could threaten the economic recovery, so the borrowing data added to investors' worries about the outlook for an economy that is already performing below expectations.

Among individual stocks, Northern Telecom fell $2⅛ to $37⅞ in active trading after the company warned that its second quarter earnings would be below market expectations, and that its revenues may even be lower than they were a year ago.

International Paper, which fell on Tuesday after a Salomon sector downgrade, recovered with a gain of $1½ to $66⅞ after another broking house, Oppenheimer, added the stock to its short-term buy list, and predicted that the shares would trade in a range of $72 to $75 over the next three to six months.

Stocks of securities companies fell amid concern that interest rates may have bottomed and that equity prices may be heading for a sizeable correction. Both factors would hurt the sector's earnings, which have been running at record levels for the past 12 months. Among the losers were Salomon Brothers, down $⅛ at $32⅛, Merrill Lynch, down $⅛ at $44¾, Morgan Stanley, $1⅛ lower at $49⅝, and PaineWebber, $¼ weaker at $19⅜.

General Instrument returned to the market. The company's initial public offering of 22m shares was made at a price of $15 a share. By early afternoon the stock was trading at $15 on turnover of 1.6m shares.

Universal Foods eased $⅜ to $29¼ after warning that "very difficult times" in the french fry business would probably result in revenues for the current fiscal year coming in below $900m.

On the Nasdaq market, comments from Technology Solutions that a write-off for receivables and contracts this year would not affect net income failed to impress the maket, which sold the stock down $2 to $18.

Canada

TORONTO continued to trade moderately by midsession with the TSE-300 composite index down 9.8 at 3,376.3. Declines led advances by 233 to 185 in volume of 13.2m shares valued at C$214.5m.

Bovespa rally after Telebras-led slump

The Saõ Paulo stock market, which broke a string of five straight losing days on Tuesday with a 2.45 per cent rise in the Bovespa index to 25,325, was unchanged by midday yesterday, *writes Bill Hinchberger.*

Before Tuesday the index had registered a drop of 4.6 per cent for June. The real loss was greater given an inflation index of 9.75 per cent for the same period. That downturn has been primarily due to a fall in Telebras, the state-controlled telecommunications holding company. Telebras closed up 1.6 per cent on Tuesday, at $24.12, after a 6.4 per cent drop on Monday. It was 2.3 per cent lower by midday yesterday. Generally responsible for over one-half of trade, Telebras weighs heavily on the index.

Some analysts attributed the Telebras downturn to domestic investors, primarily concerned with their positions in the local options market. Others believe that foreign investors are slowing their rate of investment in Telebras, and Brazil, after the government's decision last week to cancel the company's planned ADR placing in New York.

The official explanation is that a large ADR issue might erode the Telebras share price, with a negative affect on privatisation plans. Some say that this step has created doubt in the minds of investors over the government's commitment to privatise the company. Mr Alvaro Augusto Vidigal Filho, Bovespa president, has called on officials to calm the market with a clear statement of its plans for Telebras.

ASIA PACIFIC

Nikkei lower after active trading in theme stocks

Tokyo

ARBITRAGE unwinding depressed share prices yesterday, although sentiment was also weak on the decline in the yen and Tuesday's fall on Wall Street, writes Emiko Terazono in Tokyo.

The Nikkei average fell 102.17 to 17,742.87, after a high of 17,972.20 and a low of 17,576.07. Traders blamed late arbitrage-related selling by a leading US broker.

Volume rose from 182m shares to 260m on active theme stock trading by Japanese houses.

Advances led declines by 448 to 444 with 207 unchanged. The Topix index of all first section stocks added rose 0.25 to 1,347.24 while, in London, the ISE/Nikkei 50 index eased 1.38 to 1,058.62.

Pension funds and investment trusts were seen placing buying orders at lower levels. Life insurance companies also said that they intended to pick up blue chips if the index were to fall further.

Traders said that most foreign houses were expecting the index to fall sharply on the futures expiration this Friday. However, leading Japanese brokers have maintained a bullish stance. Daiwa Securities said that the Nikkei should recover the 19,000 level due to a "technical rebound".

Bio-technology and chemical stocks led activity. Meiji Milk Products was the most active issue of the day, gaining Y2 to Y994, and Nissan Chemical rose Y29 to Y766.

Environmental-related theme stocks were also targeted by dealers, with Japan Storage Battery advancing Y20 to Y1,080 and Penta-Ocean Construction up Y2 to Y962.

Weak earnings prospects pulled down Toyota Motor, which fell Y20 to Y1,490 on reports of an 8 per cent fall in pre-tax profits for the year ending June 1993.

Nippon Telegraph and Telephone fell Y11,000 to Y609,000. Investors failed to react to the company's announcement of telephone charge discounts and free prepaid telephone cards for its shareholders.

In Osaka, the OSE average fell 13.64 to 20,483.91 in volume of 11.2m shares.

Roundup

WEAKNESS in the US affected some markets yesterday.

HONG KONG fell on profit-taking but HSBC bucked the trend following Tuesday's decline to close 75 cents higher at HK$45.50. The Hang Seng index lost 22.69 to 5,917.50 in turnover of HK$3.84bn.

SINGAPORE advanced on good gains in blue chip stocks. The Straits Times Industrial index rose 19.30 to 1,511.41.

SEOUL was prevented from falling further after intervention by the stabilisation fund. The composite index closed 1.11 higher at 562.87 in turnover up from Won191.8bn to Won206.9bn .

TAIWAN moved upwards on financial stocks, helping the weighted index to close up 107.15 at 4,633.80. Turnover climbed to T$28.48bn from T$20.6bn.

MANILA rose on buying of oil stocks and the composite index advanced 5.09 to 1,573.34.

KUALA LUMPUR was higher on bargain hunting with the composite index up 4.85 to 589.52. Losers outpaced gainers by 119 to 105.

AUSTRALIA weakened with the banking sector dragging prices lower. The all ordinaries closed 8.7 lower at 1,665.8.

BANGKOK bided its time ahead of the announcement of a new premier. The SET index rose 2.91 to 687.38 in thin turnover of Bt2.91bn.

JAKARTA firmed on a peaceful poll and the return to power of President Suharto's party, the Jardine Fleming index rising 1.40 to 69.62.

Nordic insurer masterplan turns sour

Uni's ambitious merger scheme has come painfully unhinged, writes Richard Lapper

Three of the most prominent Scandinavian insurers – Skandia, the region's biggest, Uni Storebrand of Norway and Hafnia of Denmark – have seen dramatic share price declines following an unsuccessful bid by the ambitious Uni to lead a merger between them.

With premium rates rising and options elsewhere in the Scandinavian financial sector unattractive, the insurers could be worth buying for their recovery potential. Would-be buyers, however, are urged to be cautious.

When Sweden's SE Banken sold its 28.2 per cent share in Skandia last November, Uni joined forces with Hafnia to accumulate a 47.7 per cent Skandia stake, and said that it intended to build a Nordic insurer big enough to compete in the newly liberalised European market.

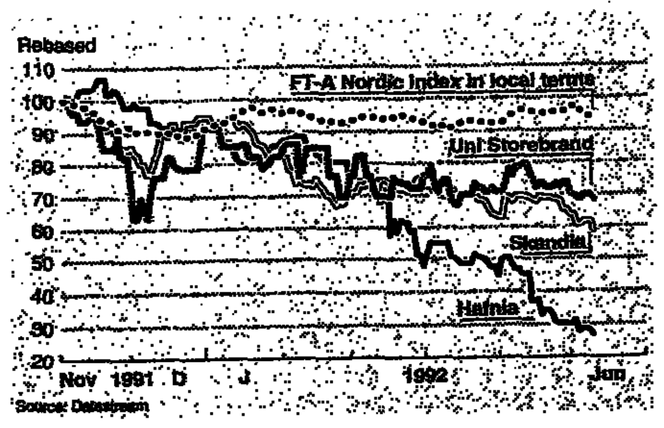
The effort has been blocked by Skandia's management and shareholders – which are protected by a voting structure skewed to protect the interests of small shareholders who own the majority of the equity – and the effort has now run into the sand, leaving both Uni and Hafnia substantially out of pocket.

Both companies borrowed to fund their Skandia holdings, now worth more than 50 per cent less than at the time of purchase last year.

A subsequent resolution of the dispute would have involved Uni exchanging its stake for Skandia's non-US reinsurance interests and Skandia taking over control of Hafnia. This collapsed largely because of nationalist inspired opposition from Hafnia's Danish pension fund owners.

The result is a stand-off and continuing uncertainty. Skandia was trading yesterday at SKr109 (down more than 50 per cent on its price nine months ago); Uni Storebrand is languishing at NKr53, while Hafnia has seen over 75 per cent of its equity capitalisation disappear in the past 12 months.

Few analysts are interested in the heavily indebted Hafnia which, in addition to its loss-making stake in Skandia, also owns over 30 per cent of its rival, Baltica; but Uni and Skandia excite some interest.



Mr Tim Dawson of Merrill Lynch, is an enthusiast of both Uni and Skandia, which he says are "reasonably cheap on fundamentals. It is difficult to see the downside. Any further price falls and the visible value would just start screaming at you."

Mr Angus Runciman of BNP Securities favours Skandia. With the takeover threat defeated and its potential predators humbled, he says, the Swedish company is now free to pursue a conservative strategy, focusing on the expansion of its less volatile life assurance business and a steady reduction in its cost base.

The company has a strong solvency margin of around 75 pr cent, and although earnings have slumped recently – partially as a result of losses from Scandinavian credit insurance and non-life insurance losses in the UK – a return to profits is on the cards in 1993 and 1994.

Nonetheless, it remains heavily exposed to property values, with over 60 per cent of its "solvency assets" tied up in Swedish real estate. Mr Bob Yates, of brokers Fox Pitt Kelton, reckons that property could decline further this year, and further dent the company's underlying asset base.

Mr Yates agrees that the shares are around the floor but does not expect the recovery in earnings to be sufficient to provide support for the price until 1994. In the meantime he is concerned by the overhang of the Uni and Hafnia holdings.

If a scheme could be found which would place the whole of the stock overhang, then at present price levels the share would represent reasonable value, says Mr Yates. "If not, the stock could dribble out in bits and pieces and this could act as a brake."

EUROPE

Banks in focus in varied day for bourses

IN A VARIED day for bourses, Paris seemed to find plenty to talk about while Frankfurt remained quiet, *writes Our Markets Staff.* Elsewhere, there was a focus on the financial sectors of four countries, partly after the Copenhagen effect on bond markets last week, and partly ahead of results in Sweden and Finland.

FT-SE Eurotrack 100 - Jun 10

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1172.84	1173.33	1174.43	1175.37	1175.80	1175.72	1174.57	1174.58

Day's High 1175.95 Day's Low 1172.60

Jun 9	Jun 8	Jun 5	Jun 4	Jun 3
1174.96	1177.48‡	1181.18	1184.92†	1186.81

Base value 1000 (26/10/90). ‡ Partial † Indicative.

PARIS saw a continuation of some themes begun on Tuesday, as Schneider and its related companies again came into the spotlight. At yesterday's annual meeting the company reiterated what analysts had heard the day before by forecasting a 1992 net profit of some FFr400m against a previous estimate of FFr650m. The shares slid another FFr26.00 to FFr682.00, but off the day's low of FFr662.00. Among its subsidiaries, Merlin weakened FFr16.00 to FFr530.00 while the holding company, SPEP, shed FFr14.50 or 4.4 per cent to FFr315.50.

The CAC-40 index had a slightly easier day, closing down 8.50 at 1,953.73, having earlier touched 1,951.

News that Euro Disney had to close its gates on Sunday because the theme park was full was one reason for a pick-up in its shares, which finished FFr5.00 higher at FFr114.00. However, some analysts noted that the price had fallen so much that it was ripe for an upturn.

News earlier in the day that Nestlé was the buyer of Exor's remaining stake in Suez left the latter down FFr3.20 at FFr315.20 while Exor was unchanged at FFr1,401.00.

Nord Est improved FFr4.50 to FFr133.70 after the sale of a construction group in which it was the majority shareholder to Lyonnaise des Eaux-Dumez. Lyonnaise lost FFr11.00 to FFr537.00.

FRANKFURT's activity level improved from derisory to quiet, German stock market turnover climbing from DM3.8bn to DM4.9bn as equities recovered from a 1.77 decline to 711.83 in the FAZ index at midsession to a 3.50 gain to 1,789.76 in the DAX at the close.

Share price volatility stayed in the second liners with Deutsche Babcock, weak recently on poor results and prospects, recovering DM6 to DM162.50 but Lufthansa, in similar case, falling another DM3 to DM130.

Continental, the tyremaker, rose another DM2 to DM278 on speculation about merger and/or profit prospects within the industry. Meanwhile, Escada, the fashion company, fell another DM13.50 to a new 1992 low of DM332.50 on the death last week of its co-founder, Ms Margaretha Ley. Its high for the year was DM585.

In retailing, Karstadt rose DM7.50 to DM639 ahead of its 1991 results.

Banks came into the frame in Italy and Sweden, where they were selectively higher, and in Switzerland and Finland where they were weak.

MILAN linked further gains in Credito Italiano and Mediobanca, L17 to L1,687 and L135 to L13,355 respectively, with those in other blue chips like Fiat, Olivetti and Generali as the Comit index rose 1.03 to 481.07. Volume was dulled again by technical problems.

In STOCKHOLM, banks staged a partial recovery after their recent losses, SE Banken A gaining SKr1.50 to SKr31 and Handelsbanken A SKr0.50 to SKr50.50. The Affärsvärlden General index fell 3.7 to 959.8.

ZURICH said that the financial sector was under more pressure than industrials as the SMI index fell 11.1 to 1,888.5. Banks were under pressure from interest rate worries, CS Holding bearers falling SFr40 to SFr1,860 and insurers from an upcoming Zurich Insurance rights issue, although Winterthur bearers led the way down with a fall of SFr60 to SFr3,190.

HELSINKI's banks led the fall as the Hex index dropped 15.1, or 1.9 per cent to 783.7. The banks and finance index was down 3.8 per cent.

AMSTERDAM featured KLM and Fokker while the CBS Tendency index slipped 0.1 to 130.3. The airline group was 60 cents weaker at Fl 39.90 following the cut in transatlantic air afares by the US airline, Delta. Fokker improved 90 cents to Fl 35.10 on news that the government may keep part of its stake under terms being negotiated with DASA.

BRUSSELS followed other markets lower with retailers moving in heavy trade. The Bel-20 index lost 4.1 to 1,219.78 with Delhaize losing BFr25 to BFr1,785 and GIB down BFr2 to BFr1,452. Solvay went against the trend, rising BFr75 to BFr13,575.

MADRID's general index improved 0.37 to 251.34 with turnover of some Pta11bn in spite of Telefónica not being traded.

SOUTH AFRICA

JOHANNESBURG tracked weaker US and Japanese markets. The industrial index lost 23 to 4,657, while the overall index was 7 down at 3,732. The gold index advanced 5 to 1,079. Rembrandt Group shed R1.35 to R28.00 on poor results.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 9 1992								MONDAY JUNE 8 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	153.09	−0.1	123.82	123.48	126.55	133.28	+0.0	4.09	153.18	123.83	123.06	126.58	133.26	153.68	140.94	135.22
Austria (19)	174.83	+0.2	141.49	141.09	144.60	144.57	+0.3	2.03	174.50	141.07	140.20	144.21	144.19	186.70	162.48	197.39
Belgium (46)	144.00	+0.1	116.47	116.14	119.04	116.30	+0.2	5.25	143.91	116.34	115.61	118.92	116.05	146.19	135.87	130.59
Canada (115)	128.15	−0.1	103.65	103.36	105.93	110.75	−0.1	3.31	128.31	103.73	103.08	106.03	110.89	142.12	125.60	141.73
Denmark (35)	238.17	−0.7	192.64	192.11	196.88	198.96	−0.6	1.84	239.83	193.87	192.68	198.19	200.28	273.94	226.81	239.24
Finland (15)	77.60	−0.5	62.77	62.60	64.15	70.38	−0.6	2.01	78.00	63.05	62.67	64.46	70.82	89.80	73.64	111.01
France (104)	162.81	−0.9	131.69	131.31	134.58	136.76	−0.9	3.44	164.24	132.77	131.94	135.71	138.02	168.75	148.06	135.61
Germany (65)	124.30	−0.2	100.54	100.27	102.75	102.75	−0.1	2.25	124.63	100.67	100.06	102.90	102.90	124.92	114.67	112.56
Hong Kong (55)	249.71	−0.7	201.97	201.40	206.42	247.89	−0.7	3.31	251.42	203.25	202.00	207.78	249.70	254.67	176.36	151.72
Ireland (16)	158.74	+0.2	128.40	128.04	131.22	133.10	+0.0	4.09	158.44	128.08	127.29	130.93	133.08	173.71	151.78	151.64
Italy (78)	70.28	−0.2	56.84	56.68	58.09	63.15	−0.2	3.35	70.45	56.95	56.60	58.22	63.29	80.86	68.39	78.64
Japan (473)	103.69	+0.3	83.87	83.64	85.73	83.64	+0.7	1.02	103.36	83.55	83.04	85.42	83.04	140.95	88.70	131.23
Malaysia (69)	235.13	−0.1	190.18	189.64	194.36	228.20	−0.2	2.72	235.47	190.36	189.18	194.58	228.58	250.18	212.49	235.85
Mexico (18)	1654.23	−0.8	1337.99	1334.27	1367.45	5630.32	−0.8	1.02	1667.12	1347.69	1339.40	1377.67	5674.20	1789.77	1376.91	1054.07
Netherland (25)	163.98	+0.2	132.63	132.26	135.55	134.00	+0.2	4.19	163.59	132.24	131.43	135.19	133.69	163.98	147.88	137.46
New Zealand (14)	47.32	−0.2	38.27	38.17	39.12	46.05	−1.0	5.55	47.39	38.31	38.08	39.17	46.52	48.52	42.01	47.95
Norway (23)	186.55	−0.7	150.88	150.47	154.21	157.17	−0.7	1.61	187.89	151.89	150.95	155.27	158.30	192.95	161.26	196.89
Singapore (38)	223.42	−0.4	180.71	180.21	184.68	167.46	−0.5	1.98	224.37	181.38	180.26	185.41	168.22	228.43	192.76	202.38
South Africa (61)	245.16	−0.9	198.29	197.73	202.65	188.52	−0.1	2.72	247.50	200.08	198.84	204.53	188.66	263.60	203.16	225.15
Spain (50)	154.22	−1.0	124.74	124.40	127.49	117.13	−1.2	5.19	155.72	125.88	125.11	128.68	118.56	161.72	146.86	156.84
Sweden (27)	195.82	−1.0	158.38	157.95	161.87	166.54	−0.8	2.66	197.72	159.83	158.85	163.39	167.93	200.28	173.09	187.62
Switzerland (61)	107.09	−0.9	86.62	86.38	88.53	96.66	−0.6	2.27	108.06	87.36	86.82	89.31	97.28	108.17	95.99	92.51
United Kingdom (228)	194.23	−0.4	157.10	156.65	160.54	157.10	−0.4	4.76	195.05	157.68	156.69	161.17	157.68	200.07	165.85	168.88
USA (522)	167.07	−0.8	135.13	134.76	138.11	167.07	−0.8	2.99	168.43	136.16	135.32	139.19	168.43	171.66	160.92	154.28
Europe (792)	154.10	−0.4	124.64	124.29	127.39	126.87	−0.4	3.87	154.79	125.13	124.36	127.92	127.39	156.88	139.31	137.72
Nordic (100)	180.88	−0.8	146.30	145.90	149.53	147.15	−0.7	2.21	182.37	147.43	146.52	150.71	148.25	188.52	169.66	181.29
Pacific Basin (718)	110.16	+0.2	89.10	88.86	91.07	89.87	+0.6	1.38	109.92	88.86	88.31	90.84	89.38	141.97	94.40	131.83
Euro−Pacific (1510)	127.96	−0.1	103.50	103.20	105.77	105.19	+0.1	2.58	128.09	103.54	102.90	105.84	105.10	145.21	113.80	134.49
North America (637)	164.62	−0.8	133.15	132.80	136.11	163.24	−0.8	3.00	165.91	134.12	133.31	137.13	164.51	169.69	158.70	153.41
Europe Ex. UK (564)	130.11	−0.5	105.24	104.97	107.58	109.38	−0.4	3.21	130.72	105.67	105.04	108.05	109.87	131.77	121.81	118.68
Pacific Ex. Japan (245)	173.91	−0.4	140.66	140.29	143.77	154.03	−0.4	3.50	174.53	141.09	140.24	144.24	154.61	175.31	149.00	137.42
World Ex. US (1704)	130.26	−0.1	105.36	105.07	107.68	107.62	+0.1	2.59	130.42	105.43	104.79	107.78	107.54	146.91	118.45	136.19
World Ex. UK (1998)	136.73	−0.4	110.59	110.29	113.04	122.80	−0.3	2.48	137.28	110.97	110.30	113.45	123.14	150.58	127.21	138.62
World Ex. So. Af. (2165)	141.00	−0.4	114.05	113.74	116.57	125.43	−0.3	2.75	141.56	114.43	113.74	116.99	125.79	153.05	130.04	140.74
World Ex. Japan (1753)	163.03	−0.6	131.87	131.51	134.79	150.34	−0.6	3.32	164.08	132.64	131.84	136.61	151.26	165.40	153.20	147.94
The World Index (2226)	141.69	−0.4	114.60	114.29	117.13	126.00	−0.3	2.75	142.25	115.00	114.29	117.56	126.36	153.70	130.66	141.27

Latest prices were unavailable for this edition.